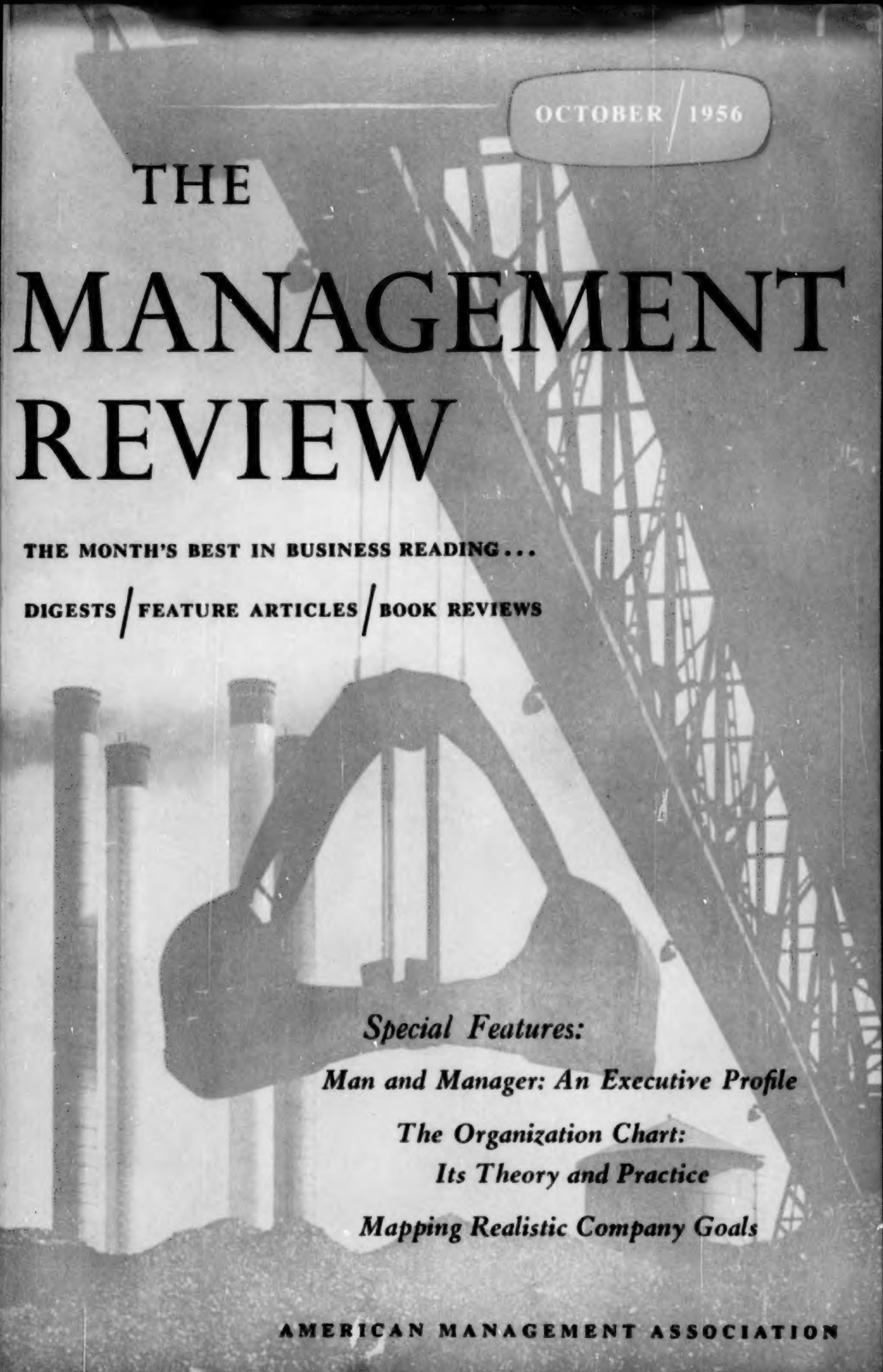

OCTOBER / 1956

# THE MANAGEMENT REVIEW

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THE

MANAGEMENT REVIEW

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Cover photograph: Ewing Galloway

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THE MANAGEMENT REVIEW is published monthly by the American Management Association, Inc., at 1515 Broadway, Times Square, New York 36, N. Y. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the act of March 3, 1879. Subscriptions: $7.50 per year (non-members, $12.50). Single copies: $1.00 (non-members, $1.25). Volume XLV, No. 10, October, 1956.

Changes of address should be forwarded to the publishers *one month in advance*, and postal zone numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the reader ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December issue. The contents are also indexed in the Industrial Arts Index. THE MANAGEMENT REVIEW is microfilmed by University Microfilms, Ann Arbor, Mich.

# The Business Man in an Election Year

BUSINESS MEN have but a small influence on political trends in America. We participate, but hardly with enthusiasm. And when we do, our objective is frequently not to develop policies of our own, but to resist the policies proposed by others.

Of course, in a sense we do have a policy. We believe in keeping government out of business. We believe in lower taxes. We want to eliminate waste from government. All this is good, but it is still negative. The thing we have got to decide is what we are *for*.

This changing face of America presents profound problems of government — in housing, highways, health, education, management-labor relations, defense, and foreign policy. What are our answers to these problems? This is the raw material of politics. On these questions the political future turns. Surely business men or any other group have a claim to support of the public only as we are aware of the problems and offer sound answers.

In this respect, politicians are much wiser than business men. They have their ears to the ground. They watch social and economic movements in our country. They see the changing weight of various interests, groups, and sections. Knowing that these changes are bound to be reflected in the political process, they plan and act accordingly.

This is not to suggest that we all go into politics. All of us cannot and should not pretend to a role for which we are not fitted. But I do say this: The future of business men will depend not only on their organizing ability, but also on their contribution to political life. As a group we must provide our share of leaders — informed men able to contribute to the formulation of policy, and persuasive men gifted with the ability to win the confidence of the public. We cannot expect these men to appear through a trick of heredity. They rise by the encouragement and understanding of their business colleagues.

Inevitably, as we participate more and more in political debate, we will be putting our necks out on controversial issues. Perhaps many of us will be in the position of saying things to which some of our colleagues, our stockholders, our customers will take exception. In view of the risk of economic sanctions, we may prefer the safer course of silence. But if business is to be heard, it must speak. Business men must be encouraged to be articulate. They deserve, at least, the tolerant support of their colleagues.

It would be neither wise nor reasonable to argue that business men should run the country. No group

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has the right to capture the government of the United States for its special interests. The question we must ask ourselves is whether the business point of view is adequately represented in the balance of public debate. It would be difficult to answer this question affirmatively. Despite the substantial economic and social contribution business has made to American society, it is apparently still good politics to make it a whipping boy. And why? Why is the record of business so misrepresented? Not necessarily, as we might think, because of sinister, un-American influences. The reason for our bad public relations may be our own neglect of them.

We have a magnificent story to tell, but let us be sure what that story is. Too seldom do we affirm positively what business is and what it is doing.

In Italy, in the United Kingdom, in India, and in Australia—to mention just a few countries—business schools or, as some call them, administrative staff colleges, have been set up in recent years on American models. They are dedicated to teaching the ways and means of developing material and human resources to the fullest. These concepts of management are not relevant only to big business; they are also being applied throughout America in small shops and farms, in hospitals, in offices, and in government and professional offices—everywhere where men and women work together for a common objective. The world has rightly sensed that these techniques are universal, and it sees in them new hope for material and spiritual growth.

To the principles of human cooperation, business men have thus made a unique contribution. And yet we seldom speak of it. Instead we return to outworn phrases that at best ignore and at worst deny the important social and public aspects of our business system. Industrial management, in fact, is not merely a technical skill. It is also an art of leadership. A business is an organization of human beings performing a common task—but so also is a church, a community, a state, and a nation. The truths of human relations we are patiently discovering in business are no less true beyond our offices and plants.

Business men, then, have no grounds for defeatism. The principles of political effectiveness are to be found within our own organization if only we will meditate on them and apply them.

▪ *From an address by John S. Coleman, President, U. S. Chamber of Commerce.*

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FACTS TO CONSIDER in 10-year planning: In 1965, per capita income will be up 38 per cent; population will be 18 per cent greater; investment in new plant and equipment will be double the current annual rate; retail sales will be about 50 per cent higher. You will probably be selling new products developed by research to satisfy new consumer needs. Shortsightedness could prove costly.

—*Sales Management*

# Plea for a Creative Retirement

I HAVE RETIRED. Precisely at the sound of the gong at age 65 I closed my desk, as I had always intended to.

Now that the critical day in my own life has passed, I have no shadow of doubt but that it was best for my company, and best for me, that I stand aside, and I feel sure that all officers should be treated similarly.

Note that I do not fix the limit categorically at age 65. The important thing is to have a limit, from which there will be no exceptions, and the question of what the limit should be is a matter of judgment. Failure to discriminate between these two points is part of the mental confusion afflicting many who discuss this question. I happen to believe that the age should be 65, though there are bound to be overs and unders on this, as on any other target.

As to why there should be a limit, impartially applied to all supervisory positions from the chairman of the board down through all who hold management responsibilities, a mere listing of the alternatives is a complete answer.

If retirement is to be dealt with selectively, what shall be the standard for selection?

Will it be physical condition? Some men with very weak hearts have wondrously clear brains and live confidently within their limitations. Some with normal blood pressure have slowed down mentally, or have lost such essential qualities as the power to initiate or the power to decide. How often will the physical examination be repeated? After 65 health changes sometimes come with startling swiftness. Yet how effective will the man be if he takes on the new psychological problem of facing the doctors every six months? And what will the state of his discipline over his subordinates be if they think they have only to wait him out until the next test?

Or will the company ask the experts to devise mental tests that will determine a man's suitability for continuing to bear heavy responsibility? Will such tests, for example, ascertain whether the man has lost in any degree the power to take swift and decisive action, which is so essential in management? And is it likely that men of self-pride will consent to taking such tests each six months?

Actually these things are not done in companies that frequently make exceptions. Decisions as to who shall go and who shall be retained are made in terms of immediate expediency, and either consciously or unconsciously often reflect the pressures of old friendships in the top management group. Sometimes the man who has done an excellent job of putting his house in order is retired because his assistant is fully qualified to take over, while his colleague who has ignored good principles of personnel administration for years is kept on because there is no one to take his place.

The stresses which are set up with-

in an organization by such haphazard methods of dealing with this important matter are very severe, and, curiously enough, the top management groups that practice them usually lack the sensitivity to be aware of what they have done.

And when it is the top man himself who refuses to face the closing of his desk, the situation can become completely intolerable and the entire future of the company can be threatened. Such men seem to have an abiding faith in their own immortality. When the grim reaper finally overtakes them, they must be the most surprised fellows in the world.

It is important that young men understand early in their careers that there will be compulsory retirement at a fixed age, so that when their time comes they may stand upright on their own two feet and walk off in a new direction. The business will be able to give them no crutches. It can provide financial security through a pension, but it cannot solve their psychological problems.

The man who thinks that he will retire and still keep up the old company friendships on a warm and enthusiastic basis is mistaken. The old-timer who has been gone for two years comes back one day and walks down the hall, but it isn't the same. Different names are on some of the doors. He stops by a desk that he knows and the man looks up, trying not to appear annoyed. He says, "Hi, Bill," and then "Excuse me, but I have got to take this call."

And if he thinks his advice will be frequently sought by those who followed him, he is again mistaken. They have been waiting some time for a chance to do it their way, and they are right.

Since in my view the old responsibilities should terminate, the solution to the problem for the retired man lies in the acceptance of new challenges unrelated to his former job. All he has to do is select from the wealth of opportunity awaiting him in his earlier extracurricular activities that which offers him the best outlet for his abilities, and throw himself into it heart and soul.

Hospitals need administrators, universities need articulate support, social agencies can never find enough willing hands, and volunteer agencies of all sorts need staffing. Even elective public office should be open to the retired executive if his life has been so lived that he stands well in his community. None of the problems in human relations that made retirement from his company necessary are involved. The people make a conscious choice, weighing his rich experience and present state of health, of mind and body against the probable expectancy for a man of his years.

Why all the frustration, then? Why all the emotion and the stubborn resistance to an orderly change in one's life?

Retirement is a normal phenomenon, as natural as being hired, and when planned for and accepted with a light heart, instead of in a spirit of martyrdom, it can open up the most useful period of a man's life.

■ *Clarence B. Randall.*
THE NEW YORK TIMES MAGAZINE,
*September 9, 1956, p. 19:3.*

## *Mergers Set a Record Pace*

CORPORATE MERGERS reached a record total last year, according to a recent report by the Federal Trade Commission. There were 846 such mergers in 1955; and of these, 689, or more than 80 per cent, were in manufacturing and mining industries. The previous high, according to the Commission, was recorded in 1952 when 822 mergers took place.

An analysis by size of firm showed a trend toward more mergers by relatively larger concerns. Last year, exactly one-third of the mergers involved acquiring corporations with assets of $50 million or more. By comparison, 29 per cent of the mergers were in this category in both the 1940-47 and 1948-54 periods.

The percentage of mergers involving acquiring firms with assets of $10 to $50 million last year remained unchanged from the 1948-54 figure, averaging 36 per cent, but showed a substantial increase over the 1940-47 average of 29 per cent.

Further reflecting this trend, the percentage of mergers involving firms with assets of less than $10 million fell to 24 per cent in 1955, as compared with 30 per cent in 1948-54 and 42.1 per cent in 1940-47.

The largest number of mergers in a single industry were in non-electrical machinery, with 112. Food and kindred products ranked second, with 87 mergers.

—*Journal of Commerce* 6/18/56


**"However, if comparison is made with 1939 instead of 1948, I am pleased to report . . ."**

# Techniques for Making Better Decisions

SOME MANAGERS pride themselves on their ability to make hair-trigger decisions, on never delaying or holding up a subordinate. But arbitrary decisions made for the sake of "getting things settled" are often wrong.

At the other extreme is indecisiveness. It is safe to say that the tension, bad feelings, and loss of enthusiasm caused by superiors' failure to make decisions affect the productivity of subordinates to a considerable degree.

Once a decision has actually been made, it is often helpful to put down—in the minutes of the meeting, or in a memo—a statement of the *decision* and the *action required,* set forth so that they stand out, and to include under "action required" answers to three questions: Who? What? When?

Techniques useful in the decision-making process itself include:

*List of Pros and Cons.* It is rather startling to see how this simple device will sometimes point out a clear solution to a very difficult problem.

*Tally of Gains and Losses.* This is an elaboration of the list of pros and cons. Here, however, the attempt is made to put a numerical value on each. Sometimes this numerical value can be translated into dollars. But all problems do not lend themselves to cost study, and even where good cost data are available, intangible elements may be decisive or may overshadow the cost portion of the problem. In the tally, gain and loss columns are set up for each proposed course of action. Some gains are more important than others. Therefore, we look over the list and decide which gain or loss is most important. This gets a value of 10. Then every other gain or loss is assigned a number, plus or minus, depending on its worth in relation to 10.

*Factor Analysis.* After identifying the factors and assigning weights, it is necessary to rate each alternative proposal on each factor. The rating, multiplied by the weight, determines the relative importance. All factors put together determine the relative probability of success for each alternate proposal. In evaluating alternatives, we should realize that the more alternatives there are to choose from, the better the decision is likely to be. As a result, our attack might well pose the question, "How many alternatives can we develop?" rather than merely, "Is there another way?"

*Solicitation of Opinion.* One device we all practice is soliciting the opinions of our associates. We don't even consider it a technique; it seems to us more a matter of courtesy or of communication. When the specific question is posed, try to answer three principal questions from the point of view of the person being solicited: What are the specific gains or benefits to be achieved? What are the risks or possible losses? What will be the effect on the company and on

the group for whose work the person contacted is responsible?

That's just horse sense, you say—and it is, so far as you are concerned. You are convinced, after checking around, of the decision that should be made. But your superior? He, too, wants to be sure you have touched the bases. A convincing device is a *score sheet,* listing the three main questions across the top. Under each—in telegraphic style—jot down the reaction of each person contacted.

*Trial Run.* It is often practical to set up a test situation. The pilot lot or pilot plant is in this category.

*Standard of Reference.* A set of facts and figures that are universally accepted, even though there may be some disagreement on details, can be the biggest ulcer-saver of all the points discussed so far. In one company there were constant arguments about the time it took to develop and design a new product. Sales felt it took too much time; engineering felt there was never time enough; manufacturing never knew when to count on the product's availability; accounting could not project major tooling and facilities expenditures. The problem was largely solved by the establishment of a set of anticipated preproduction times. A-Day was set as the time when the product would be available for production assembly. The anticipated completion dates for the four categories of engineering work necessary were set in terms of number of months back from A-Day.

*Using Your Subconscious.* In any discussion of decision-making, even one centered on facts and figures, we should not overlook the part the subconscious mind plays. Study the problem, the facts, and alternative solutions; talk it over with yourself—that is, tell your subconscious; then let it alone to simmer with the other recorded experience in the back of your head.

▪ *From an address by Richard Muther before the 11th Annual Management Engineering Conference*

# Where Is Technology Leading Us?

OUR CONTINUING technological revolution is in many respects surprisingly like an atomic chain reaction. In modern technology, mankind has at its disposal a tool so powerful, and so infinitely variable and responsive, that we can face with equanimity the fantastic task of upgrading the living standards of the entire world.

For the United States and for the immediate future, the prospects are bright indeed. We have over the years accumulated the capital (represented by our physical plant and equipment) which has enabled us to reach "criticality," the point where a reaction is self-sustaining. Our potential market is large enough to permit manufacturing operations on such a large scale that costs can be reduced by a really significant amount. This cost saving, which we can call

the "technological gain," is of such magnitude that it has proved sufficient to provide both additional purchasing power for the consumer and additional incentive for more production.

The paramount question is how to insure that we have adequate energy and material resources. Assuming adequate technology, limitations on the attainments of an industrialized society are set ultimately only by these two factors. Even today, with our present standard of living here in the United States, our requirements for both energy and materials have become enormous. To support one individual for one year requires, for example, 1,260 pounds of iron, 18,000 pounds of fuels of all kinds, and 400,000 gallons of fresh water. These requirements will continue to expand.

How does research and technology help meet these mounting needs? A dramatic example is given by the sudden change in our situation with respect to energy reserves. Our present assured fossil fuel reserves, represented by all deposits of coal, petroleum, oil-bearing shale, and natural gas, amount to a combined fuel supply equivalent to more than 360 billion tons of coal. At predictable rates of consumption, however, these fuel supplies would meet our requirements for only a matter of decades. Fortunately, these energy resources are dwarfed by the energy now becoming available from a source that has come into the picture only within the last few years. Our presently known resources of uranium and thorium—from which we shall derive atomic energy—add up to more than 25 times the energy reserves presently represented by assured reserves of conventional fuels.

To get a measure of the amazing new economies available to us in atomic energy, it is well to remember this: From one pound of fissionable uranium, one can get as much energy as from 2.6 million pounds of coal. Because of this large factor, and especially with a "breeder-type" reactor, which can be made to produce more fuel than it consumes, the fuel cost *per se* can be made vanishingly small, and hitherto undreamed-of energy supplies become available.

With low-cost energy in prospect, the materials supply problem is also more or less automatically solved. The most critical material for the future will probably be water. As technology advances, more and more fresh water is required for industrial purposes alone. The Great Lakes area has this priceless asset in essentially inexhaustible quantities. But other areas, even in the United States, are not so blessed.

Fortunately, with low-cost power available, it becomes conceivable to extract mineral salts from sea water, say by evaporation. The resultant fresh water supply can be used for industrial cooling operations and, ultimately, for irrigation.

With ample energy the sea can be mined for other substantial resources. Magnesium is even now being produced from sea water with the expenditure of 10 kwh of energy per pound. There are 5.7 million tons of magnesium in each cubic mile of sea water. Thus, several cubic miles of sea water could provide the entire metal requirements of the automobile

industry. Similarly, in the case of many other materials, it will become possible to process progressively lower-grade reserves or develop satisfactory substitutes.

With respect to the structural elements of engines of all types, it is the physical properties of available materials that set the limit on performance. For chemically powered engines, materials to operate continuously in the range of 2,500° to 5,000° F. are urgently needed. For really efficient use of nuclear reactors, we need materials which can operate in the range from 5,000 to 10,000° F.

New alloys, perhaps even entirely new metals from among the rare earths, will be needed for uses that now can be foreseen. Metals such as hafnium, zirconium, lithium, and niobium, now hardly known outside the laboratories, may soon become as familiar as aluminum, magnesium, and zinc are now.

The technological chain reaction can provide for all our material wants. Wisely used, the by-product—leisure—can provide time for the study and solution of our social problems.

■ *Dr. Lawrence R. Hafstad.*
COMMERCE, *July, 1956, p. 11:6.*

# John M. Hancock

## 1883-1956

It is with deep regret that the Association reports the passing of John M. Hancock, for the past ten years Chairman of the Board of AMA, who died in White Plains, N. Y. on September 25th at the age of 73.

A Partner in the investment banking firm of Lehman Brothers, New York, Mr. Hancock had for many years been one of the most prominent and respected figures in U.S. management and financial circles. He received the Gantt Medal for distinguished achievement in industrial management in 1945, and the Army's Medal for Merit in 1948.

Besides serving as Chairman of the Board of Jewel Tea Company and of Lever Brothers Company, and as a Director of many other well-known corporations, Mr. Hancock held a number of government assignments, including service as a member of the War Industries Board during World War I and of the War Resources Board in World War II, and later as an alternate delegate to the United Nations Atomic Energy Commission.

# What Will Atomic Power Mean to Business?

Atomic power is practical. It is in use today—driving submarines, generating electricity, heating buildings, transforming plastics, curing cancer. But most of these initial ventures are extremely costly and call for heavy subsidy. The big question is: How soon will nuclear power be practicable for commercial use?

The only certainty is that it will be at least 1965 before *any* substantial amount of atomic power is flowing through regular utility transmission lines. There is time for your company to study the important long-range question.

Will A-power cut electricity bills? Yes, if your company is located in New England, in the Rocky Mountain area, and in such Northern Plains states as Nebraska, Minnesota, the Dakotas, and Iowa. Look for cheaper nuclear power later all along the Atlantic Seaboard, in the Great Lakes region, and on the West Coast. On the other hand, price cuts for power are unlikely in TVA territory and the Gulf Coast states.

The reason is that a nuclear plant will produce electricity at about the same cost no matter where it is located. This means lower electric bills in present high-cost areas, but not elsewhere.

How much lower? Don't be misled by forecasts of a reduction of 30 per cent or more in present high-cost areas of the cost of producing electric power. The cost to the business consumer will not come down that much, simply because more than half the electric bill is attributable, not to the cost of producing the power, but to the cost of getting it to your plant. Operation, depreciation, transmission, service, and administration costs will remain essentially the same as for conventional power.

For some companies, the real opportunity for low-cost atomic power may lie in the smaller power reactors for which the Atomic Energy Commission is now accepting proposals. One of these smaller generating stations, located near the town or rural area it will serve, should be able to supply power to the consumer at a lower cost than a larger, perhaps more efficient, station located at the distant end of an expensive transmission system.

In the long run, atomic power will contribute to the supply of electricity in another way. As time goes on, suitable sites for economical hydroelectric installations will be exhausted. The costs of conventional fuels—coal, fuel oil, and gas—will rise as lower-grade sources are tapped. The chances are, therefore, that the costs for non-atomic power will *rise*. When and if this situation develops, atomic power plants—or solar energy plants—will permit the growth of electric power usage to continue.

A company in any of the basic processing industries, such as metal

refining, chemicals, or paper-making, must alert itself to this fact: Every advance in automation means the cost of electricity will increase in importance as a factor in operation. Lower power costs may thus be the deciding factor that will force you to move to a new location or face the loss of markets to competitors already taking advantage of the lower costs of atomic power.

Because the introduction of nuclear power is likely to spell lower electric rates for domestic users in many parts of the country, the manufacturers and distributors of electric appliances can expect an increase in consumer demand, while companies making and selling competing equipment, such as gas stoves, oil-burners, and so forth, must be prepared for possible downward changes in their markets.

The Federal Power Commission's annual reports on "Typical Residential Electric Bills" pinpoint the high-cost localities for domestic electricity; it is in these areas that atomic power is likely to compete first with conventional power. If your business is affected by high- or low-cost electricity —if you make or sell either electric or gas ranges or water heaters, for example—these areas will be the ones calling for special marketing attention as nuclear power comes in. And if your company is involved with any of the wide variety of products associated with the use of electricity in the home, these will be the areas of greatest potential market growth when domestic power rates come down.

Though the Geneva Conference last year confirmed that the United States is further advanced than any other country in the design and engineering of nuclear power reactors, it is almost certain that other countries will have commercial atomic power plants before we do. The British, for example, expect to have their first competitive-cost plant operating some time this year, beating us to the punch by at least three years.

Why this paradox? The answer lies in the fact that the high cost of fuel abroad makes the cost of conventional power much greater than it is in the United States. Therefore, even the "primitive" reactors available today have an advantage over conventional steam-generating plants in other countries. Both public and private utility companies abroad can go ahead with nuclear projects that would be considered uneconomical experiments here.

Unless American firms can bid successfully for the design and construction of some of these first overseas power plants, the chances are that we shall be behind England, Germany, and other countries in this field for years to come. This handicap will affect not only the big companies that bid on the original contracts, but also firms supplying materials, instruments, valves, and other component parts.

If your company is in any aspect of the steam generating, pumping, pressure vessel, or electrical equipment fields, these developments can mean additional or lost business.

■ ATOMIC POWER AND BUSINESS, TODAY AND TOMORROW *(Research Institute of America, 589 Fifth Avenue, New York 17, N. Y.).*

## *Tips for Improving Your Press Relations*

"I WAS MISQUOTED!" That is becoming a more frequent complaint of the management executive who has to deal with the press.

For the executive who has to speak to reporters on behalf of his company, here are some simple suggestions presented by Clifford Hale, Canadian Westinghouse Co., Ltd.:

(1) Remember, the newsman is after news, not stale information. Answer requests for news before it becomes dated. (2) Never ask the press to ignore or de-emphasize a news story. Meet the situation, however difficult, with facts and comment. (3) Never try to obtain company publicity by sending a news item to the press in conjunction with advertising orders. (4) If one reporter is first to inquire about a company event, and no press release had been planned, try to give him the story on an exclusive basis. (5) Use simple language for interviews. Keep your story factual and interesting. (6) Avoid "off-the-record" statements. If information is not for publication, withhold it. (7) Never entertain members of the press in a lavish manner to disguise a poor press conference at which little or no real news was revealed. (8) Never be patronizing with reporters. Be casual, informal, sincere. (9) Be gracious with press photographers. If you are in a situation that calls for pictures, and have a responsibility to pose, do so without fluster or delay. (10) Be generous with your time.

"I was misquoted" can in many cases be more accurately stated as "I caused a misquote again."

—*Industrial Marketing* 7/56

## *Economic Development—Due for a Slowdown?*

THE PAST TEN YEARS of relative prosperity do not justify "untempered optimism" about the future, United Nations economists warn in a recent report, *World Economic Survey 1955*. There were, they say, many special temporary factors that helped maintain the 1945-55 growth: (1) massive military and economic aid, now shrinking; (2) war-accumulated reserves of foreign exchange and claims against industrial nations; (3) wartime shortages, which encouraged new production; (4) improved terms of trade of primary producing countries, which may be reversed by growing surpluses; (5) the drive to rebuild capacity destroyed by the war.

Further, growth has not been shared equally. What has been a 45 per cent increase in output per capita in industrial nations is only a 5 per cent increase per capita in less developed lands.

Looking ahead to the rest of 1956 and into 1957, the U.N. economists forecast a slight slowing down in the rate of expansion in industrial areas. One of their prime worries is that the use of monetary policy to curb inflation, if carried too far, might result in a major slowdown.

—*Management Digest* 9/56

# A Do-It-Yourself Training Plan for Foremen

MOST OF THE 40-odd foremen at the Little Falls, N. J. plant of the Kearfott Co. have come up from the bench. For morale, that's good. But for management development it spelled trouble until Kearfott started its unusual training program.

The program was devised by a management consultant. After getting top management approval, he met with the 12 men who make up the middle management group. He asked: "What do you expect from the line organization?" A committee of four drew up 11 targets: cost control, discipline, efficiency (proper utilization of available capacity), preservation of equipment, good housekeeping, understanding of the functions of related departments, planning, quality, quantity of production, safety, and training.

After taking the objectives to the top for approval, the committee was dissolved and a new one formed. The job: to assign a resource man from mid-management to each of the foremen research groups assigned to develop work specifications for meeting the 11 goals. In each of the three 14-man foremen training groups, a research team of two or three men was assigned to work on each target. In this way each man got at least two assignments.

The training coordinator prepared schedules for the research teams, and each one worked separately with its resource man to develop an outline. For example, the preliminary job specification for the efficiency target included such things as: "arrange department for smooth flow of work," "establish good work habits," "standardize operations wherever possible."

After practice sessions, each team made an oral presentation to the other members of its training group, who discussed and approved it.

An "all-star" team was then selected for each target—composed of representatives of the original teams from the three training groups—to present the specifications to middle management for review. After incorporating middle-management's suggestions, the teams carried the final report up to the top-management level, where, for the most part, changes were slight.

The consolidated and approved specification for the efficiency target is shown below:

1. *Analyze Work Load*
   Understand schedule
   Be sure materials are at hand
2. *Locate Stations for Most Output*
   Prepare work area
   Centralize equipment
3. *Train Operators in Better Methods*
   Strive for methods improvement
   Standardize operations as possible
   Encourage suggestions
4. *Plan Effective Use of Equipment*
   Keep tools, equipment in proper order
   See that items are used for designed purpose
5. *Assign Jobs to Best-Suited Employees*
   Make use of past experiences

Practice on-the-job training
Rotate employees as practical
Employ realistic indoctrination

6. *Contact Related Key People for Service*
   Know functions of service departments
7. *Record Problems, Performances*
   Have data handy
   Keep files up to date
8. *Get Results Through Deserved Respect*
   Be fair in all circumstances
   Be able to do job
9. *Make Complete Use of Individual's Time*
   Obtain full day's work for full day's pay
   Utilize objective standards

Time cycle for completion of a single subject assignment is about six months. With a new subject each week, total time for all 11 subjects is about eight months. As the final report on each subject is made to the foremen, the training coordinator makes a training-need survey. He asks foremen to assign improvement priorities for each subject. With these, he's ready to review additional training needs with top management.

■ FACTORY MANAGEMENT AND MAINTENANCE, *August, 1956, p. 130:4.*

# Booby Traps in Bonus Plans

TODAY, half the companies listed on the New York Stock Exchange have executive bonus plans of one type or another. Their number has doubled over the past decade. This growing acceptance exerts increasing pressure on companies that do not yet have such plans, and there is every indication that their spread will accelerate even more.

The importance of bonuses as a recruiting lure in man-hungry industries has been highly publicized. Some companies have gone into bonus systems for that particular reason. Basically, though, the greatest single virture of the bonus plans is still the personal incentive they can create in managers to boost company profits—and, thus, their own earnings.

Many plans, by admission of their managers, haven't done a full incentive job, usually because top management is either unwilling or unable to appraise the executive's performance accurately. But now, companies are finding ways to bring the incentive right down to the men at each desk.

According to some experts, only a few companies have swung all the way to systems based solely on incentive, but these are bellwether companies, the ones that pioneer for the rest of industry. Many others are following them in various degrees.

Generally, when a company turns a generalized incentive plan into a personalized one, it reappraises jobs in the light of their direct or indirect bearing on profits.

In most companies, executive jobs fall into three categories: (1) Those that have full responsibility for pro-

fits, as with heads of companies or autonomous divisions. These are evaluated first, being the easiest, to form a skeleton for the bonus patten. (2) Those, such as production or sales jobs, that can be measured against budgets and quotas—a relatively easy evaluation if the standards are accurate and allowances are made for either windfalls or special difficulties. These are penciled in according to the same pattern as the first category. (3) Those staff jobs that can't be evaluated objectively but must be graded according to the pattern laid down in the first two categories.

Not all companies can use an all-out incentive bonus plan. Even the most articulate advocates of individualized, profit-centered incentive plans will concede that there may be occasional limitations on their usefulness in some cases.

One expert on plans of this type, Arch Patton of McKinsey & Co., cautions that they require competitive-minded presidents who are willing and able to reward outstanding individual performance and—what's more difficult—to penalize poor performance. They also need an organizational set-up that gives officers clear-cut responsibility and an equally clear idea of what is expected of them.

For companies setting up new plans, most consultants suggest:

*Restrict the plan to a small top group at first.* Until it has been tested out it shouldn't be spread throughout management.

*Keep it as simple as possible.*

*Don't make incentives too high.* The bonus shouldn't run more than 40 to 50 per cent of base.

*Draw a balance between reward and penalty.* Bonuses shouldn't be taken for granted. Withholding a bonus is as much of an incentive as giving one, and this side of a plan should be used, too.

*Be wary of stock options.* They might fit into your needs, but then again they might not. One well-known New York executive compensation consultant and talent scout is especially leery of stock options. First of all, he says, they direct too much emphasis and executive thought toward market prices instead of value. Second, they can backfire. He tells of five successful company officers—two presidents and three executive vice presidents—who have approached him in the past year in search of new jobs. All these men had stock options, the lowest with a profit of $350,000 and the highest touching $825,000. All wanted to cash in their holdings, which they thought were overpriced. They didn't feel they could do so while still with their companies, so they were looking for a way out. The very bonus plans designed to hold these men were in fact driving them away.

Aside from the more obvious booby traps, the critical parts of a plan are its day-to-day administration and the manner in which bonuses are decided upon.

Printed forms that list leadership qualities aren't very helpful, says Patton. If anything, they lend themselves to snap judgments. Patton tells of one president who blithely filled out rating sheets for 100 executives in two hours. He questions the incentive value of half a million dollars allocated in this manner and wonders

how much faith these executives have in their chief's objectivity or interest.

Some of the most effective systems are built around a bonus committee, often composed largely of non-officer board members. This committee allocates awards to the heads of divisions or functions on the basis of relative performance. Functional heads make allocations to those reporting to them, and so on down the line. Final decisions are made by the chief executive officer or the bonus committee, with a review of all recommendations to make sure there's a "spread" of awards—some high and some low.

■ BUSINESS WEEK, *August 11, 1956, p. 112:3.*

## *Disability Retirement in Pension Plans—A Survey*

HOW DO COMPANIES provide for employees forced to stop work before the normal retirement age because of physical or mental disability? Some answers to this question have been furnished by a survey of 127 companies (employing over 3 million workers) conducted by W. Michael Blumenthal of Princeton University's Industrial Relations Section.

Of the 127 companies surveyed, 74 had some program providing special benefits for disabled workers; the others provided no income at all, or only the normal accrued pension, subject to full actuarial reduction factors.

The level of benefits available was usually quite low. For example, a worker, disabled at age 51, with 15 years' service and average annual earnings of $4,000, would receive no income at all in one-third of the responding companies; a monthly payment of $50 or less in another third; and more than $50 in only 15 per cent of the firms.

Eligibility for disability pensions was commonly restricted to older employees; requirements here were usually based on age, length of service, or a combination of both factors.

Of the 74 company programs providing special disability retirement benefits, 49 were union-negotiated.

Disabled pensioners were, however, sometimes eligible for other important benefits, such as payment of their group life insurance or continued free life insurance and health insurance protection after retirement.

The incidence of disability retirement has been low. The statistics of 39 companies show that the average rate of such retirement in 1953 ranged from 0.1 per 1,000 employees below 49 years of age to 10.4 per 1,000 for those over 60.

The cost of such programs varied from 2 per cent to 46 per cent of the total expenditure in a given company's pension program—the average figure reported was approximately 11 per cent.

—*Industrial Relations News* (230 West 41 Street, New York 36, N.Y.) 4/14/56

# Who Needs a Consultant?

SOME TIME AGO, a small midwestern metal products firm went out of business. The fact that this happened is not significant, but how it came about is.

The president, a self-educated, technically well-qualified person, was not too well versed in business administration. In fact, because of his lack of organizational ability, the company he headed was not prospering at a time when most concerns in the field were making money. After the sixth month of very poor business, he called in a consulting firm. Within another six months, the company was out of business, and the government was after the president for taxes due.

The consulting firm had taken more than $15,000 in fees during this period. Its work was so poor and had caused so much friction within the company that the president filed a lawsuit and won.

Fortunately, most consulting firms are ethical, well-qualified organizations that can be of great assistance to management. It is estimated that over 70 per cent of American business uses outside consultants to handle special problems and assignments ranging from employee selection, cost analysis, and supervisory training and development to handling specific engineering problems, labor relations and negotiation, and product development.

Like the perennial battle between purchasing agents and salesmen, much has been said about consultants by management people, and vice versa. Consultants suggest to management: (1) Don't expect miracles; (2) don't hover over the consultant; (3) don't load him down; (4) too many cooks spoil the broth. Management suggests to consultants: (1) Do one job at a time; (2) don't "butter up" management; (3) avoid "pie in the sky" promises; (4) familiarize the man assigned with the total project.

One Cincinnati consultant suggests seven reasons why managements sometimes do not get the results expected:

1. They select one part of a total program that strikes their fancy without seeing that all the other units have a direct bearing on total results.
2. They expect the consultant to correct the faults of persons in the lower-management level without putting the spotlight on their own possible shortcomings.
3. They initiate another program that neutralizes the result of the consultant's program.
4. They don't follow up the consultant's program but allow it to die a natural death.
5. They are too quick to reject things that have worked well for others, because they have tried them before with poor results—not realizing it was the way the idea was carried out, not the idea itself, that was at fault.

6. They look upon the consultant as an outsider, and play their cards too close to the vest.

7. They reject recommendations for fear they will be criticized for not having already instituted the programs themselves.

A checklist of steps to take in retaining a consultant might include:

1. Determine the extent of the problem and whether it can be handled by company personnel.

2. Write out the full problem (or project), including how the situation is presently handled, why a change is desired, and what the change should accomplish.

3. Ascertain the approximate budget for the job, and clear it before even talking to a consultant.

4. Check with other managements in the area to find out how they have handled the problem and what consultants they would recommend. Your trade association can be helpful in recommending consultants, too.

5. Contact at least two consultants and present your full problem to both. Ask that they study the problem and give an estimate of the time it would take them to solve it and the fees involved. Most consulting firms will gladly present a written proposal covering approaches to the problem, length of time required for the work, and estimated costs.

6. Consider the proposals of the consultants, checking references on their past work. Then decide which firm will do the best job for you.

7. Assign a liaison man, preferably a higher management official, to work with the consultant. He should be fully acquainted with the project and able to assist the consultant in getting information and cooperation.

8. Completely familiarize company personnel with the plan, what the consultant will be doing, and how it will affect them. This is necessary to obtain full cooperation.

■ *E. M. Ryan.*
AMERICAN BUSINESS,
*August, 1956, p. 14:3.*

# How Automation May Affect Your Plant

POTENTIALLY, the field of automation is much larger than anyone expected even a couple of years ago. Thousands of manufacturers who may have believed that it would never interest them should start thinking about it.

The decisive point is that such complicated operations as the milling of a spiral can now be done without human hands guiding the tools. This is an incredible accomplishment that will have far-reaching consequences. The possibility of performing automatically operations that are difficult jobs even for highly skilled operators makes such machines attractive for relatively small production runs.

Further, the fact that machines with "universal" features, in contrast to one-purpose machines, can be made fully automatic, removes one of

the most important drawbacks to automation for general application. Such machines are directed in all their movements by punched cards or tapes prepared directly from the blueprint. They control themselves for accuracy and adjust the tools when needed. After a tape has once been prepared, it will always be available for repeat jobs, which is also of great importance to the small manufacturer.

Some companies know already that sharply increased maintenance costs reduce the benefits of automation to a disagreeable extent. And, since automation is only at the beginning of a revolutionary development, experiences that may now be only disagreeable could eventually become critical. Here is where the specialist will be called on to hold the cost line.

The first production lines in the automotive industry contained machines designed, not only for one operation exclusively, but also for machining only one particularly designed part. While such machines could be made extremely efficient for that particular purpose, they were not necessarily efficient from an overall viewpoint. To alter them for use on differently designed parts was very expensive or impossible. Consequently, the cost of such machines prorated over the parts produced was relatively high.

It was desirable, then, to try producing machines for differently designed parts, which could be assembled on the production line like building blocks. It may be expected that the machine-tool industry will approach the problem of keeping the cost of automated machines down in this way.

This building-block idea may also be one of the answers to the maintenance problem. It would be impractical for the average manufacturer to employ electronics experts to take care of repairs. On the other hand, it would also be impractical for him to wait for a serviceman. These automatic machines will be expensive under all circumstances, and idle time will be costly. The answer might be to keep mass-produced and relatively cheap control units in reserve, to exchange defective units for spare units, and to send the defective units to the factory for repairs.

Another problem in automation is the fact that set-up costs will be relatively high under all circumstances, with the exception of repeat jobs. This implies that the use of automation for production of parts or products that have to be kept in stock for a future demand will be a paying proposition only if the quantities produced can be kept relatively large. Thus a reasonable balance has to be kept between set-up costs (once-occurring costs) and those costs that are continuously accumulating when the produced parts are put in stock: storage costs and interest on the capital invested in the parts.

This situation puts new emphasis on market research, proper inventory control, and costing (establishing the cost of the parts produced). Manufacturing economical lots may be treated as a simple routine, but it should be kept under the control of executives who are fully familiar with the company's plans for product de-

sign and future developments in general.

Another answer to the problem of high set-up and investment costs is freezing of designs. This is a solution that has advantages as well as disadvantages, depending upon the viewpoint of the person who is confronted with it. The manufacturer favors it for the reasons mentioned, but the salesmen and the advertising agency do not like it because the word "new" exerts a magic power on the buying public. The automotive industry solved this dilemma effectively by bringing out cars that are "all new" (in the advertisements) every year, while actually making few basic changes in any given year. The average manufacturer may profit from this successful practice.

■ *B. A. Margo.*
CANADIAN BUSINESS,
*August, 1956, p. 28:3.*

## *Making the Best Use of Bulletin Boards*

GETTING information across to 26,000 employees takes much the same skill as that needed by TV, radio, and the newspapers in reaching their audiences. This is management's belief at the El Segundo plant of the Douglas Aircraft Co. It has used its bulletin boards to develop communication skills to a very high point.

The forms and procedures department supervises all bulletin boards, maintains them, inspects them weekly, and insures timeliness of the posted material. There are currently 58 locations in the plant with one or more of the following types of bulletin boards:

1. Company boards are used for company business only. Without exception, all notices appearing on these boards are signed by the company president or general manager.
2. Public relations boards bear the brunt of company-wide charity drives and campaigns.
3. Special activities boards are used by clubs and in-plant organizations to announce meetings, picnics, and other events.
4. Employee ad boards are situated near cafeteria entrances, and are sealed to prevent unauthorized postings. Employees phone ads to mailroom, information is typed on cards, and the notices are posted for one week.
5. Union boards carry information on union meetings and social activities. All material is cleared through industrial relations, and is posted by the company.

Bulletin board postings are often supplemented by plant-wide broadcasts over the public address system. Such broadcasts are made during rest periods, while machines are shut down.

—G. C. Close in *Mill & Factory* 6/56

# The Mainspring of Business Leadership

Most of us would agree that American workers are, on the whole, well managed. The question is whether this is so because of the contemporary approach to leadership and personnel management, or in spite of it.

Many of our business thinkers have recently made the "discovery" that there is a drive to "belong," and have suggested ways to exploit it. Their phraseology itself implies a certain artificiality, since they speak of a "sense" or "feeling" of belonging, as if it were something more imagined than real.

It is easy to arouse emotional feelings of group belonging. This is done all the time at employee socials, at Christmas parties, and so on. Unfortunately, the feelings vanish as quickly as they come. Here is no foundation for erecting an organization, but only an emotional quicksand. The worker who is most carried away by the old "company spirit" is probably just as susceptible to feelings of union brotherhood.

It seems not only safer but more constructive to relate the job of the business leader to the other, more logical side of human nature—where the need to belong to an organization is a directable, purposeful, *intellectual* force. Here we shall be considering, not "rhythms of the heart," but "rhythms of the head." Let us think of this intellectual kind of belonging as the sharing of constructive activity, and let us call it *involvement.*

In attempting to strike deep into the heart of a worker with the same kind of method that works so splendidly to sell toothpaste, we have overlooked an important distinction. When it comes to toothpaste, the worker does not really care; it is not a matter of moral conviction. People go along with the masquerade that says you should use a given brand because it will make you look like a certain movie star. But when it is a matter of a man's work, bearing on so much of his rational nature and so much of his daily life, then he must be treated like a man. To illustrate:

Supermarkets hire many teen-agers as "bundle boys." My company, Supreme Markets, used to follow the popular practice of handling them a little propaganda piece, starting with the theme, "Little Leaks Sink Big Ships," and going on to tell how an unnecessary bag on the floor or a light left burning might put a busy supermarket out of business. The effect on the sophisticated adolescents was impressively negligible. We have found it better to attack waste simply because it is wrong—morally wrong—not because of economic consequences. We find our young men appreciate the compliment to their self-respect.

A brochure currently supplied by one of our largest trade associations seeks to motivate the newly hired teen-ager by stressing how essential the food business is, how many products come from mysterious lands

overseas, how many fortunes have been made. This is supposed to inspire him to place the eggs on the top of the sack rather than on the bottom! Why isn't it both simpler and more effective just to tell him to pack the eggs this way so that they don't get broken? Again, it is a compliment to assume that he would not want to do anything that might keep the people who pay for eggs from being able to use them when they get them home.

When we assume—and many of our professional personnel people do assume—that people really do not want to work and somehow must be motivated (which means manipulated) by sugar-coated pills, we not only injure their sense of integrity but do some of the very harm we are trying to avoid. There is an instinctive caution that makes people distrust techniques of manipulation when these are brought to bear on basic values. This distrust may carry over to much else that management stands for.

Sound personnel practices, or even sound "human relations," by themselves do not solve the productivity problem. Such practices are praiseworthy and help remove the negative factors; as business managers in a free society and as responsible human beings, we have an obligation to treat people humanely and with dignity. But let us do this because it is civilized and fitting. Let us not distort our obligation with any half-true theory that we will be paid off with greater productivity.

We can get productivity simply by asking for it, by insisting on it, by setting high standards for management and employee alike. For productivity is basically a moral problem. Management has a moral obligation to society and to each worker to insist on peak performance. The worker owes an obligation *to himself primarily* to give his best.

Consider yourself a new worker in an organization. Your superior explains your responsibilities, without apologies or romance, and concludes: "And now, sir, we want you to know—and you'll be glad to know—that we have very high standards here. We want from you the best you've got—the very best you can deliver." Would this antagonize you? Would it not rather compliment your self-respect?

Such an approach imposes stern responsibilities on management. Management must maintain high standards for its own performance—for "housekeeping," for supplying and maintaining capital equipment, for planning, for discipline. The moral appeal is a strong and powerful one, but it must be applied sincerely, conscientiously, and self-critically if employers and employees are to grow toward a moral partnership and a strong sense of mutual obligations.

■ *Paul Cifrino.*
HARVARD BUSINESS REVIEW,
*September-October, 1956, p. 55:8.*

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"GOOD LUCK" is the lazy man's estimate of a worker's success.
—H. L. Mencken

## *Recent Work Stoppages—A Look at the Record*

ALTHOUGH the number of work stoppages was greater last year than the year before, their impact upon the workers involved was considerably less. Statistics recently released by the United States Department of Labor indicate that the average duration of stoppages in 1955 was 18.5 days, as compared with 22.5 days in 1954.

There were 4,320 stoppages in 1955, 852 more than in the previous year. While only 1.53 million workers were idled in 1954, 2.65 million, almost 75 per cent more, were idled in 1955. However, man-days of idleness in 1955 totaled 28.2 million, only 5.6 million more than in 1954. This indicates clearly that though there were 75 per cent more men involved in the stoppages in 1955, only 25 per cent more days of idleness were incurred.

The average worker lost only 10.7 days in stoppages in 1955 as against 14.7 days in 1954. Approximately 6 per cent of the workforce was involved in the 1955 work stoppages.

Issues concerning wages, hours, and supplementary benefits accounted for half the stoppages in 1955, and the demands for wage increases accounted for half of these.

—*Labor Law Journal* (Commerce Clearing House, Inc., Chicago) 6/56

## *Using Industrial Movies for Recruitment*

A GOOD industrial movie designed to help you sell your products, promote your company, or educate your employees can be produced for as little as $1,700, according to a recent survey. Others cost as much as $125,000 —the price paid by Monsanto Chemical Co. for a 50-minute film designed to show high school and college students the part chemistry plays in their lives.

One important new use has been found for industrial films. They can be carried by recruiting teams and shown to student audiences at colleges.

One warning, however, sounded by Monsanto and others: Keep your films honest and appealing. Do not "oversell" your company. This is the big weakness of industrial films, and can completely destroy their effectiveness.

—*Management Digest* 6/56

*SPECIAL FINANCE CONFERENCE*

*A Special Conference on Mergers and Acquisitions for Growth and Expansion will be held by the Association Wednesday through Friday, October 31-November 2 inclusive, at the Hotel Roosevelt, New York.*

# Building an Effective Research Organization

"Research is like saving," says one manufacturing executive. "If it is postponed until needed, it is too late to start."

Don't, however, open a research center without a complete diagnosis of your operations. Outside help on specialized research problems can be obtained from private research centers, universities, and trade associations. In addition, don't mistake trouble-shooting for applied research; don't think you can have basic research on an applied research budget; and don't use your research center primarily for public relations—though it's good window dressing, you're not getting a full return on your investment if you do.

The ideal research director is a unique combination of scientist and administrator. He recommends the most profitable lines of inquiry. He estimates the cost of each research project and knows its chances of success, what good can be salvaged if it should fail. He breaks the project into component parts for his research teams, makes progress reports to his superior, and expedites communication with his teams. He knows when to stop a project.

The research director should be on a par, salarywise, with the sales manager, and he should report to top management levels, not to sales or manufacturing. His scientific personnel should be responsible to him and him only; he should have a free hand in promotions, raises, hiring, and firing. He should have adequate technical, clerical, and secretarial assistants.

The spirit of creative activity needs a special geography. One Ohio company recently established its research center in Denver. Why Denver? It met all the requirements for the right environment: climate, proximity to three colleges, abundance of cultural activities, diversified recreational facilities, a reputation for good public schools—and it is 1,000 miles from the home office.

To hold your present personnel, or to get new people, you have to offer them more than money, say personnel men who have studied the subject. Think of your research group as the elite corps of your company. Such treatment pays off.

This is a research director's favorite story about a top scientist in industry: The scientist had been absent for three days so the director called the man's wife. "Why, he flew to Chicago last Friday on the midnight plane," she explained. "He remembered a fellow up there who may have the answer to that zirconium problem. Didn't he tell you?"

The moral, says the research director: "My men wish they had 30 hours in the day instead of 24. When our projects are challenging, you can't pry anyone away from this organization."

Your research people must be free

to communicate their ideas to other scientists. In return, they will soak up ideas new to them. Technical meetings are the traditional hunting grounds for new information. Summer sessions at universities are popular, too.

"To become known as an expert in his field is the scientist's primary goal," one research director believes. "The company that offers him such an opportunity can command his services for as long as it wishes."

The truly creative worker wants as few administrative duties as possible, and unfortunately promotional pathways for scientists are too often in the direction of administration. One metalworking company has designated some of its scientists as research associates. It's strictly a matter of title, but the scheme allows the company to raise the salaries of some scientists without adding administrative duties.

In any case, your research director must see to it that promotions and raises are strictly on merit. No ambitious young scientist on his first job gives a hoot for seniority. In research, that's as it should be.

■ STEEL, *August, 1956, p. 54:2.*

# The Drive for Broader Welfare Benefits

THE ENTIRE FIELD of welfare benefits continues to be a dynamic one. New concepts are brought forth; old ones are changed or discarded. With each round of collective bargaining, new demands will arise. The field of hospital, surgical, and medical benefits will probably witness the most concerted drive.

Large industrial unions are demanding higher room and board benefits, unlimited allowance for other hospital charges, elimination of the exclusions and restrictions that frequently appear in Blue Cross contracts, and payments for longer periods of hospital confinement—70 days, 120 days, or even longer. They are also demanding higher payments for surgical procedures and greater allowance for daily medical expenses, inside as well as outside the hospital.

Major medical benefits—providing for payments as high as $5,000 or $10,000 with coinsurance and a deductible—developed not as a result of union demands but as a logical supplement to base plans. Judging by their public statements, the heads of large industrial unions have not shown any particular interest in the comprehensive plans that integrate the features of both the base plan and major medical insurance. These plans typically include a deductible (perhaps varying with earnings), then full reimbursement up to $200 to $500, and beyond that 75 or 80 per cent reimbursement up to a high maximum. Such a plan was recently established at General Electric as a result of labor negotiations; but with

this exception, and perhaps a few others involving smaller companies, the apparent objective of the unions is in the direction of plans that pay all expenses for the employee, from the very first dollar up to and including catastrophic medical bills.

There is still one area in the medical care field, however, that has scarcely been touched: dental care. Up to now, only a few pilot plans have been established, chiefly on the West Coast. But one that has been inaugurated in New York is specifically designed to gather statistics as well as provide the care. The time may come when dental care will become the rule rather than the exception, probably with a deductible and coinsurance.

In addition to the drive for higher benefits while working, there have been demands for continuation of some of these benefits after retirement. Coupled with the liberalization of the amount of group life insurance during active employment has been emphasis on the continuance of a reduced amount of insurance on retired employees.

In most instances, group life insurance continued on retired employees is paid for by the employer on a group term premium basis. As a result of the rising cost of insurance on retired employees, companies have in recent years been giving increasing study to the possibility of leveling the cost. Such an arrangement is now in operation in the steel industry as a result of collective bargaining in 1954. Under this arrangement, a certain specified sum, such as $1.25, is set aside monthly for each active employee. These sums are accumulated in an aggregate fund and used exclusively to pay the cost of the insurance after retirement. Though the tax aspects of this method of funding have not been definitely ascertained, it is generally felt that, since the payments constitute premiums that are irrevocably set up for the specific purpose of funding the cost of insurance on retired employees, they represent a deductible business expense.

Where the base plan is with Blue Cross and Blue Shield, it is customary to remove the retired individual from the group program and give him the privilege of continuing such benefits for himself and his dependents on an individual basis. Where an insurance company is the underwriter, it is customary to retain the retired employee and his dependents under the group plan with reduced benefits. More recently the insurance companies have been recommending that, regardless of the type of plan in effect prior to retirement, the benefits continued after retirement be of the comprehensive type. A typical plan would call for a deductible of $50 to $100, followed by coinsurance of 75 per cent, subject to a maximum payment for any one person of $1,500 in any calendar year, and $3,000 in a lifetime. Such a plan could be provided at a reasonable cost and could be handled on a contributory or noncontributory basis.

Increasing attention is being focused also on the desirability of continuing welfare benefits for a reasonable period during layoff or leave of absence. For obvious reasons, weekly disability benefits are discontinued as promptly as practical in the case of

layoff or leave of absence, usually at the end of the month during which layoff or absence occurs. In the case of group life insurance, a longer period of continuance is frequently provided, such as three or possibly six months. The same is true of hospital, surgical, and medical benefits for the employee and his dependents.

The occurrence of any authorized strike may present difficulties. Collective bargaining agreements are usually silent on the disposition of welfare benefits in the course of a strike. However, it is almost universally true that corporations have voluntarily continued all welfare benefits, with the exception of lost-time payments, even when the strikes have lasted an extended period. Where such plans are on a contributory basis, it is not uncommon for corporations to advance the payments for the striking employees and double up on the deductions when the employees have returned to work following a strike.

■ *Meyer M. Goldstein.*
THE JOURNAL OF COMMERCE,
*Pension and Profit-Sharing Supplement, 1956.*

## *Plant Location the Easy Way*

PLANNED INDUSTRIAL communities in more than 130 different areas are easing many of industry's growing pains by offering new homes to companies. They offer packages that range from prepared ground to complete new factories. They encourage operations ranging from distribution to a wide variety of manufacturing, on sites that offer necessary facilities and frequently nearby markets.

Largely a product of the past 20 years, the organized district is a tract of land laid out and developed for a group of industries. Streets, rail track leads, and utilities are installed before sites are sold to companies.

Among the plan's features: building restrictions are used to create and preserve a parklike atmosphere—buildings must be set back a certain distance from the street; architectural style is specified; off-street parking and loading are required. In addition, district planners establish zoning restrictions that prevent encroachment by nearby industry or homes, thus guaranteeing open space, uncongested and pleasant.

Forty per cent of the industrial districts in this country are owned by railroads, private developers own 25 per cent, and municipalities own 9 per cent. The average size of a district is about 450 acres. Most districts have definite rules on the kind of work permitted; light manufacturing and warehousing concerns are the main occupants.

Recreation facilities, banking service, and public warehouses are a few of the other features of industrial districts. The term "industrial shopping center" has been applied to these districts where all necessary services are close at hand but there is still plenty of elbow room.

—*The Iron Age*

## *How Much Is a Safety Program Worth?*

WHEN "JUSTIFYING" the cost of a safety department, some executives figure somewhat as follows: "Our accident costs have averaged X dollars. If we put in a safety program, we should be able to cut the cost by Y dollars. We can afford to spend about one-half Y dollars for safety." This is a very narrow view. In calculating what a reasonable expenditure for safety would be, a company should ask:

1. How much does the company now spend annually for injuries and damages (all costs of employee and public injuries, damages to equipment and property, and interruption of production and service)?

2. What could be a serious accident, calamity, or catastrophe cost above and beyond that part covered by insurance?

3. What is the annual cost of the company's claim department and legal service devoted to investigations, settlements, suits, etc., as a result of accidents?

4. What is the annual cost of operating errors (accidents)?

5. What is the cost in terms of lowered employee morale and public condemnation resulting from a poor accident record?

6. How much is being spent for personnel administration and employees' welfare? How much of this activity is credited to safety?

7. How much is being spent to improve employee relations and develop employee morale? How much of this activity can be credited to safety?

8. How much is being spent to improve public relations? How much of this activity can be credited to safety?

9. How much is being spent to improve job performance through training, better work methods, etc.? How much of this activity can be credited to safety?

10. How much does the company spend in being a good citizen—supporting local, state, and national movements for the benefit of the country and community? How much of this activity can be credited to safety?

—*Safety Maintenance and Production* 9/56

## *Family Incomes Reach a New High*

NEARLY HALF of all American families had gross incomes of more than $5,000 last year, according to a recent Commerce Department survey.

The average family income before taxes was $5,520—a rise of 3 per cent from the 1954 average, and a new record.

Of the 52 million families in the U.S. (the term "family," as used in this study, includes unattached individuals), 45 per cent had incomes before taxes of more than $5,000; 14 per cent received incomes between $4,000 and $5,000; and 41 per cent received incomes of less than $4,000. Eight per cent had incomes before taxes of more than $10,000.

—*Journal of Commerce* 6/25/56

# The Worker's Role in Tomorrow's Economy

WE ALL KNOW the benefits that have evolved out of technology: the high wages, the increased leisure, the general economic security. And, I believe, we all can have high hopes that these material benefits will continue and increase in the future.

In the midst of these hopes, however, I would like to sound a warning: As American companies organize into bigger and bigger units for more and more output, what happens to the individual worker in our country's plants? What happens to his enthusiasm, his ambition, his sense of identification with a worthwhile group, his pride, his dignity, his sense of accomplishment?

There is a very real danger that these individual values, which, after all, are the foundation upon which a human being builds his satisfaction and happiness, may be seriously weakened by the sheer weight of our industrial structure.

Consider the individual worker, employed in a mass-production industry. His material interests are represented by men he may never have met—at a conference held in another city. His wage scale and hours of work are determined through bargaining participated in by groups of men representing vast interests, vast power, wielding vast influence—in all of which the voice of the individual worker could well become lost.

The problems of unions and corporations in this respect are actually somewhat the same. In both cases, personal contact and individual understanding are at stake.

In the case of the corporation, there is the threat that expansion will be accompanied by increased centralization and standardized control, rather than by decentralization and local control. There is the threat that the corporation's personnel policy will be laid down from the home office in considerable detail, and that local divisions will be advised that this is the way things must be done.

Similarly, the large labor union today is confronted with much the same problem. There is the threat that all policy control could be centralized in the hands of a few men in one or two cities. The local business agent could become little more than a puppet, discouraged from using his intelligence and imagination for the benefit of his own membership.

These are not happy thoughts. But we must reckon with them. Both corporations and unions should think in terms of letting the smallest unit capable of doing a job do it. Both, however, should naturally be vigilant that such autonomy is not abused and made to work against the common good. The central authority, whether it is the company headquarters or the union international, should never relinquish its final responsibility for the welfare of the individual worker.

We must ask ourselves some questions: Will the worker who performs the same task, day after day, as part

of a gigantic organization, often controlled by people he never knows or sees, be able to maintain his strength as an individual with all that that implies in terms of principles, convictions, hopes, and ambitions?

Will our people, if conditioned to regimentation both in the factory and at home through mass media of canned communication, become uncritical victims of any propagandist who happens to gain control of the airways?

Will managers consider a worker's personality a matter for their concern, as well as his material welfare and company profit?

Will organizations of workers continue to protect the individual worker in his dignity and pride from becoming only part of a mass about whom negotiations are made at contract time?

The questions I have posed cannot be answered by any one individual or any one group of individuals. They must be answered in the hearts of all our people—at the workbench, in the executive suite, in the union hall, in the legislative assembly. Will the future conduct of our economy be illuminated by justice and individual dignity, so that each man finds full satisfaction in his daily task? Will the American worker preserve his identity as an individual of dignity? Or will we allow technology so to change our country that we lose sight of every goal except those which are material?

■ *From an address by Secretary of Labor James P. Mitchell before a joint meeting of the American Society for Personnel Administration and the Kansas City Chamber of Commerce.*

# Frauds That Cost Your Office Money

OFFICES are being plagued today by plausible practitioners of various petty rackets. Thousands of reliable manufacturers' service departments and established independent service dealers are getting a black eye because of this. Better Business Bureaus admit that the unscrupulous operators are walking the tightrope of dishonesty, but nothing can be done, since there is no evidence of fraud.

Let's look at the most prevalent and successful of these "gyps."

*The Repair Deal.* This is a slight switch on the television repair rackets; the difference is that you do not call for any repair service. A service man with a repair box enters your office and tells you that one of your adding machines has a broken switch and needs an overhaul, or rattles off some mechanical terminology unfamiliar to you. There are cases on record where brand-new machines have been overhauled.

You probably are taken to the machine and shown that it does not operate properly. The "service man" says that he will take it down to his shop and send you an estimate.

You sign a slip authorizing its removal. The machine is picked up, and within a few days you get a call telling you the charge for a complete overhaul. If you authorize that overhaul, you have been added to the sucker list. Once you have signed the slip for removal of the machine and have given authorization to go ahead with the overhaul, you have to pay, even if you have a maintenance contract through the manufacturer or an independent dealer.

Authorized representatives of manufacturers have identification cards, and your receptionist should be alerted to ask for them. Your office manager or supervisor should also be told to identify all repair men on the premises when they are present.

*The Directory.* Each year, hundreds of valid and useful business directories are printed. On the other hand, there are many directories printed on cheap pulp paper and mailed almost exclusively to people who are foolish enough to pay to be listed. A switch on this racket is the one in which directory publishers send you a small invoice with a pasted proof of a listing that looks amazingly like the listing in your local telephone book. Working on the simple premise that you will associate this with the telephone directory, they sit back and wait for your dollars. You may complain after the directory has been sent to you, but to no avail. Their pasted proof was run off especially for you. It did not come out of a telephone book. This little gimmick helps these outfits evade the law.

Solution: Have your bookkeeper or accounts payable departments bring to your attention any of these directory notices. A quick check with your buyers will ascertain whether the advertisement would be of any value.

*The Subscription Rackets.* The smooth-talking gentleman who walks into a large office and solicits from employees is a headache to management. He interrupts the work flow, and, if allowed to remain, has the apparent approval of the employer. It is amusing how many people will give money to a total stranger, then complain to the office manager for his laxity in permitting the swindle to be perpetrated. If you have not guessed it yet, these operators are usually never seen again, or else the subscription is placed for only a few months. Recommendation: Inform all your employees to report any such strangers on the premises and warn them that the management allows no such solicitation.

*The "Charities."* On a par with the subscription intruders are the "charity" representatives who come around on regular visits. They desire either cash or merchandise for a bazaar being held very shortly. Letterheads are flicked in front of your face in an effort to impress you with their earnestness. Quite a few firms have a standing nuisance fund just for getting them off the premises. Recommendation: Inform them that all contributions are handled only by letter. If it is a legitimate request it can easily be checked through local agencies.

Of course, your main line of defense is your staff. Instructions to all supervisors and personnel play an important role in keeping these varied activities off the premises. When-

ever a suspicious person appears, the staff should be notified to report to someone specifically authorized to handle such matters, who will have an inventory of all office machines and their maintenance contracts. He should be the one who is designated to handle service calls and issue passes for the removal of equipment.

If you are in an office building, the elevator operators can be notified that a pass signed by the office manager is needed before they allow removal of a machine. This pass should be printed and be the responsibility of one person. To paraphrase an old quotation, an ounce of intervention may be worth an unfounded overhaul.

■ *Robert Gray.*
OFFICE MANAGEMENT,
*September, 1956, p. 34:4.*

## *A Trend to Longer-Term Labor Contracts?*

LABOR LEADERS have traditionally sought short-term contracts—usually ones that would run for about a year. But union bargaining concepts change along with the times, and in 1950 a trend to longer-term contracts became apparent.

To determine if this trend is continuing today, the National Industrial Conference Board analyzed 923 contracts, selected at random, which were signed during the period from June, 1955 to early 1956. Of these, 406, or 44 per cent, run for one year or less. Agreements running for more than one year and less than two account for 10.5 per cent of the total. Approximately one-fifth of the contracts are for two years' duration, while 133 contracts (14.4 per cent) run for three years. Contracts of more than three years' duration account for less than 3 per cent of the 932 contracts analyzed.

In comparison, in a similar survey of 306 contracts in 1950, the Conference Board found that 53.6 per cent ran for one year or less and 46.4 per cent for a longer period; in 1948, a survey of 313 contracts showed 75.4 per cent were signed for one year or less and only 24.6 for longer periods. These figures clearly show the trend away from one-year contracts during the past eight years.

—James J. Bambrick, Jr. and Marie P. Dorbandt in *Management Record* (National Industrial Conference Board, New York) 6/56

### AMA OFFICE MANAGEMENT CONFERENCE

***The AMA Office Management Conference will be held Monday through Wednesday, October 15-17 inclusive, at the Sheraton-Astor Hotel, New York.***

# Factors Determining Packaging Decisions: A Survey

NEW LIGHT on some of the most important "unknowns" in food packaging is shed by a complete evaluation of a Folding Paper Box Association survey of the grocery manufacturing industry. Among the conclusions:

Food manufacturers are now spending an average of 10 per cent of their gross sales income on packaging.

They are more interested in what packages will do to increase sales than in what they cost.

In general, they feel that a change in consumer packaging can of itself bring a measurable increase in sales.

Nearly half of the food manufacturers—large and small—now have packaging committees, and more than half use some kind of research technique to pretest new packages.

The sales manager, apparently, is most influential in making decisions for packaging change.

The study represents the opinions of executives in 307 food manufacturing or processing companies, comprising $28 billion worth of the $51-billion food manufacturing industry. The facts were obtained in personal depth interviews, made in 25 states and the District of Columbia. Manufacturers reached included some of those responsible for virtually all products sold in food stores, including soaps and detergents, tobacco, and beverages.

It should be noted, however, that the 10 per cent cost figure is based on answers from less than one-third of the packaging executives interviewed. In addition, all companies do not include the same items in packaging cost, which makes a true picture hard to get.

Cost ranked in seventh place on the list of elements influencing the decision to change a package or develop a new one. And all six of the elements listed ahead of cost are closely related to display value and consumer attention: brand identification, visibility of product, appetite appeal, display value for handling, stocking facility, and advertising value.

Ranking below cost in influence on packaging decisions are adaptability to packaging machinery, special inducement deals, and larger sizes of multi-unit packages.

The obvious importance attached to display value raises the question of how packaging costs should be allocated in company budgets. Many of the packaging executives interviewed stated as a personal opinion that almost a quarter of total packaging costs today should be allocated to either sales or advertising expense, but that the rest (77 per cent) of the cost rightfully belongs in the category of production expense. Quite a few firms reported that they were

already allocating costs of some phases of packaging to accounts other than production or manufacturing expense—principally to sales and advertising. Among the costs mentioned were those of design, finished artwork, development, market research, and engravings.

The great majority of the packaging committees (79.4 per cent of them) have from three to five members. The following indicates who serves:

| *Title* | *Per cent of companies where members* |
|---|---|
| General sales manager or sales vice president | 63.0 |
| President | 53.3 |
| Executive vice president | 42.2 |
| Advertising manager | 41.5 |
| Purchasing agent | 40.0 |
| Production manager | 26.0 |
| General manager | 22.2 |
| Package engineer | 15.6 |
| Plant superintendent | 12.6 |
| Merchandising manager | 9.6 |

More than half of the committees (58 per cent) have no regularly scheduled meetings, but convene "when there is a packaging problem" or "when we are considering a package change." The remaining 42 per cent have a regular schedule of meetings, ranging all the way from weekly to annually.

More than four-fifths of the food and grocery manufacturers reporting said that they had introduced a new package during the last year. Significant, too, was the indication that 70 per cent of the new packages were for existing products rather than for new ones. Almost half stated that introduction of the most recent new package for an existing product had been followed by a sales gain.

■ Modern Packaging, *July, 1956, p. 73:7.*

## Plant Location: Planning to Fit Your Needs

Today industrial location is fast becoming big business. State and local governments have been tooling up for the past decade to attract industry. Scores of municipalities are forming community corporations backed by stocks and bonds subscribed by local citizens. Chambers of commerce have accelerated their activities.

At the state level, apart from more or less traditional wooing tactics, development credit corporations have sprung into action in the past five years. There are now five in New England alone, organized to meet the need of growing businesses for medium- and long-term funds. They specialize in taking risks.

There are also now supra-state groups. The Great Lakes Industrial Development Council, for instance, taps five states and brings together specialists from railroads, utilities, chambers of commerce, industrial real estate men, and state officials for annual reviews of trends and tactics. And coming up fast, though rather tardily, in the field are the management consultants.

In this atmosphere of ready and often strident welcome, it is entirely possible for management to make mistakes. One reason is that today's management has had little experience in plant location techniques. Today's top team matured management-wise during the thirties, their companies typically recovered during or soon after the war, and the current expansion phase is their first. Then, too, locating a plant appears to present a fairly simple, more or less mechanical, problem. You merely determine what your requirements will be and then send an executive scout out to beat the bushes until he finds some compatible terrain.

Yet three types of errors are constantly being made. First, there is the lack of proper coordination and control. Nearly every major department in the company should first contribute an analysis of its current needs. These studies should be carefully evaluated by a top management committee before a full bill of particulars is drafted.

A second error springs from a failure to look ahead. A new plant is a long-range proposition. Over a decade or more, the composition of a market can change, its geographical location may shift, or the nature of the product itself may change. Relying on studies which do not take into account recognizable trends in their infancy is risky business.

Still another error is nurtured by the very human predisposition to accept the status quo as inevitable or desirable. Frequently, for example, a manufacturer's entire thinking about new plant locations is colored by the current location of his warehouses—though these may be improperly located with respect to today's distribution patterns.

Complicating the matter for most companies is the difficult process of gathering the facts management thinks it needs about prospective sites. There is, first of all, the problem of separating fact from pseudofact. At the state and local government levels there are a number of interested groups, aside from chambers of commerce, railroads, industrial real estate firms, and utilities, who are able to present thorough briefs of positive information. Services rendered by these groups can be invaluable. But experienced companies use them as a kind of preliminary report which either qualifies or eliminates a community. Though many of these reports are highly detailed, particularly with respect to specific site locations, they cannot supply all the answers.

Many larger companies have developed certain rules of thumb for judging any community as a prospective plant site. General Electric, for instance, prefers not to locate in any town where it will hire more than 15 per cent of the available labor force. On the other hand, it prefers not to move a tiny plant into a big metropolitan area where its corporate voice would be muffled, if not lost.

Essentially, however, there are two distinct phases to scientific location analyses. The first is preparation of requirements studies. These may cover such subjects as industrial analysis, site surveying, plant operation, construction, land costs, process design, tax liability, soil mechanics,

availability of power, transportation costs, manpower and community, raw material sources, site development, economic analysis, water and waste, air pollution and weather, and the advice of legal counsel.

The second phase is finding the site that meets your requirements. The studies usually narrow the search to a two- or three-state area. Companies with considerable experience often begin at the state level, checking factors that may affect company operations, with studies ranging from the voting record of Senators and Congressmen to such things as the number of secondary boycotts per million population, strikes per 100,000 non-farm employees, teachers' salaries, number of state employees per 1,000 population, and workmen's compensation.

With the best state from an operating point of view chosen, the search narrows to a number of communities. The communities that meet the basic requirements are then surveyed. Needless to say, during all of this the seasoned company carefully hides its identity.

Because these studies require extensive work by a number of departments, a prime factor for success is coordination and control. If you make the proper studies well in advance, and they are coordinated and controlled high on the staff level, your new plant may save from 5 to 10 per cent of your current manufacturing and distribution costs.

▪*Alfred G. Larke and James K. Blake.* DUN'S REVIEW AND MODERN INDUSTRY, *Vol. 67, No. 4, p. 61:5.*

## *How Sound Is Your Follow-Up System?*

SALES DEPARTMENTS are falling down in following up inquiries, according to a study made by *Industrial Equipment News,* which invited its readers to request further information from manufacturers on products it described.

The average manufacturer, in the home office, serviced the readers' inquiries promptly in 88 per cent of the cases, and 85 per cent of the readers found the information adequate. But, in answer to the question "Did the salesman call with added information?" only 12 per cent answered affirmatively.

To the question "Have you bought this product?" only 12 per cent (but not necessarily the same 12 per cent) said yes. Test checking of the quality of the inquiries, however, indicates they were genuine sales leads, since 68 per cent either bought or are considering buying.

Sales executives dissatisfied with field performance might well investigate what happens to such leads once they are turned over to their salesmen, or whether salesmen even get the leads.

—*Sales Management* 6/1/56

# How to Run an Open House

OPEN HOUSE, except for those concerns favored by moderate climate, was once a seasonal affair—strictly a hot-weather dish. Modern industry now favors all-weather open houses, and more and more are being held in the spring and autumn. Summer is actually a relatively poor time for an open house—the weather is too hot, sports are too inviting, people are planning on or have just returned from vacation, too many activities are clamoring for attention.

The key to any open house is: Start planning well in advance. Three months is none too soon; many open houses have been launched six months ahead.

To assign the supervisory responsibility for the project to an individual is natural and proper, but he should be prepared to spread the responsibility as widely as possible among members of the organization. And this does not mean only the managerial members of the organization, either. Rank-and-file people must be specifically included as committee members.

Here are the key open house committees, with a brief run-down on their duties.

*Plant preparation*: This requires the largest group. Basically, its job is to get the plant in proper condition—see that it is spic-and-span before company comes. This committee generally arranges for refreshment stands; safety and first aid; lights; suitable arrangements for handling children and older people; and the welcoming and registration of guests.

*Plant tour*: While the plant preparation and plant tour functions are often grouped as one committee's responsibility, the work load is so heavy that the more experienced hands split the committee into two parts. The plant tour committee is charged with planning the order of the tour, determining which machines will be in operation, training the guides, and arranging the briefing conferences that precede the tours and the question-and-answer periods that follow.

*Invitations*: This committee works with management on the invitation list. If the open house is for employees only, better see to it that invitations are mailed to their homes. If it is a public function, be sure to check and recheck the list—many an open house has backfired because the head of the school board or the fire chief didn't get an invitation.

The committee in charge of invitations should handle the preparation of a souvenir booklet, if one is to be provided. (Use the center two pages for a route map.) If other souvenirs are to be given away—such as toys for youngsters—the invitation committee may handle this, also.

*Transportation*: How are people going to get to your plant? Better make provision for everything. Pay special attention to parking.

*Exhibits*: Some open house sponsors do not bother with exhibits, but remember that the guest has a keen interest in what you produce, in the several stages of its production. Statistics shown in conjunction with the product beguile him. The committee in charge of exhibits must work closely with the plant tour committee on the number and location of direction signs and the nature and location of exhibits featured in connection with machinery. Exhibit committees often need the aid of outside professionals, not only for the lettering of posters, but for the actual arrangement and positioning of exhibits.

*Reception*: This committee generally works in close cooperation with the plant preparation committee. Its duties are many and miscellaneous: arranging all the details of greeting the guests when they arrive, distribution of any souvenirs or literature, introductions to plant representatives who will conduct the briefing sessions and the plant tour, etc. Normally, the reception committee is also assigned responsibility for seeing that wraps are checked, that young children are placed under appropriate supervision, and that older people are directed to a meeting place.

*Promotion and publicity*: Better turn this responsibility over to a professional in the company—the advertising or public relations director. Though he will be happy to work with a committee, the actual job of turning out promotion and press material should go to someone trained for it.

*Refreshments*: The novice in open house arrangements is disposed to try to tackle the refreshments problem locally, to estimate consumption and to order the supplies. He soon learns that his best bet is to pass on the problem to a local caterer. Actually, the food normally costs no more.

There is no rule on size of committees, though the average is eight to ten. It is important, however, that they be *representative*.

By tradition, top management stays somewhat in the background at open houses. This should not be construed to mean that the president stays away from the affair, or locks himself in his office for the duration. It is entirely fitting for top officials to constitute a receiving line. If the crowd is large, however, this imposes a sizable burden on an executive unaccustomed to mass handshaking. To strike a compromise, many company officials open their offices as part of the plant tour. They station themselves there and greet such guests as wish to "take a look and meet the boss."

Where does the union participation begin and end? Too many companies make a needless problem of this. Among the experienced open house hosts, there is the feeling that the union need not be singled out for special attention; further, that the average union does not expect to be. If union members serve on committees, if there is no deliberate attempt to ignore or by-pass the union, there should be no protest. In the majority of open houses, unions seem willing and even eager to cooperate.

■ *Robert Newcomb and Marg Sammons.*
MILL & FACTORY,
*September, 1956, p. 77:5.*

## *New Data on the Unemployment Picture*

UNTIL VERY RECENTLY, the information available on unemployed workers was pretty sketchy. Now, however, through its new monthly series entitled "Characteristics of the Insured Unemployed," the Bureau of Labor Statistics is furnishing a lot of basic material that can help employers and unions to focus on areas where study and action may be needed.

The data suggest that a number of broad tendencies can be identified. Among these are the following:

When unskilled workers lose their jobs, they tend to stay out of work longer than other people. Thus, in each of the three reporting periods almost a third of the insured unemployed have been unskilled, though unskilled workers constitute less than a tenth of non-farm employment. In contrast, clerical and sales employees, who represent about 30 per cent of non-farm employment, were only about a tenth of the insured unemployed.

The difficulty unemployed older workers have in finding new jobs shows up clearly, too. The latest figures show that the proportion out of work for 14 weeks or longer was 16 per cent for the youngest group, between 17 and 20 per cent for those from 25 to 64, and jumped sharply to 36 per cent for claimants 65 and over.

Professional, managerial, clerical, and sales employees, on the other hand, have had a less than proportionate share of unemployment. Interestingly, the industries with lowest *rates* of unemployment—finance and government—have had the longest average *duration* of joblessness.

In general, according to BLS, seasonal factors were the chief influence determining the extent and length of unemployment in a given industry.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc., Washington, D. C.) 8/9/56

## *Record High in Health Insurance Coverage*

BENEFIT PAYMENTS under voluntary health insurance programs are running 20 per cent higher so far this year than in 1955. This was among the findings of the Health Insurance Council's latest annual survey of the extent of voluntary health coverage in the United States.

As of July 31, the Council estimates, some 110 million persons, an all-time high, were covered by hospital insurance, while 94 million had surgical protection, 58 million had policies covering regular medical expenses, and seven million were insured against major medical expenses.

Growing public awareness of the cost of catastrophic illness was reflected in the sharp rise in the number of persons with major medical expense insurance. Coverage under all forms of major medical programs more than doubled during 1955. Of the 5,241,000 persons covered, 4,759,000 had protection through their place of employment, with the remaining 482,000 insured through individual and family major medical expense policies.

# More Effective Distribution Through Retailers

Before you spend too much time blaming your retailers for inactivity on your product, you should check their activity on competitive merchandise or other products in their store. You may find that other manfacturer-distributor men are doing a better job of creating activity in the stores.

Attention to a given product varies greatly by area—more by area, in fact, than it does by individual retailer. And promotion activity in many cases seems to vary more by distributing territory than it does by individual retailer or type of retailer. If you are not satisfied with the results in a particular territory, perhaps you should look first to the training and work program of your own distributing organization.

What are some of the steps that seem to be most important in generating the right kind of retail activity on your product? Of course, the old fundamental of making sure you sell the retailers on the quality of your merchandising and the service your product can render to the consumer is of paramount importance. In today's competitive market, however, we are finding that this step alone is not enough. The retailer must be shown the market opportunity for your product. He must be shown what you or your manufacturer are doing to pre-sell the market for him. He should be given very explicit figures on the volume of sales he can attain on your product if he will do the things you want him to do; and then, of prime importance, he must be given a very clear picture of the profit to him on the volume of business you know he could do with the right kind of activity.

In every field today, we see evidence of the success of this approach. In food and drug stores, particularly in the chain stores in these two fields, it produces excellent results.

Other elements of service to the retailer for a better relationship include careful attention to his inventory requirements and turnover. It is extremely important that he carry a sufficient quantity and variety of merchandise to take full advantage of the market opportunity you have presented to him. But it is also extremely important that your distributing salesmen keep that inventory turning and keep him conscious of the assistance you are giving him in this regard.

The dealer who knows the market opportunity for the product and the profit possibilities for him can be sold on good displays and on using direct and cooperative advertising; he is ready to listen to your plans for various in-store promotions. We hear wholesale salesmen complaining about their inability to "get a break" in particular stores. But if the salesman had done the right kind of job in presenting his market and profit story, he would be getting the cooperation he wants.

If you are spending a lot of money

on recruiting and training programs only to see much of it wasted as a result of high turnover in the retail sales force, turn your attention to the establishment and maintenance of good retail sales management. Where a retailer has a good retail sales manager, the salesmen are there, and they are trained, supervised, and stimulated to produce volume.

If your product is one that requires service after sale, sales volume and good consumer service are closely related. In the first few years after the war, consumers put up with a lot of slipshod service from retailers. Now they are tired of it. This change of attitude on the part of the consumer will continue, and manufacturers and distributors must pay closer attention to the quality of service available.

The problem of retail inertia has plagued aggressive sales management for years, and one method of getting new sales plans or ideas accepted has seemed to work better than any other. This method is commonly called "testimonial selling." Although many retailers resist sales ideas brought to them by distributor or factory men, few would resist an idea presented to them as a story of some other dealer's success through the use of the plan. Sell one and get a success story. Then sell one in each territory. Your salesmen will find it considerably easier to get two more successes as a result of his first one. With the three in his portfolio, he is in a position to spread the activity effectively throughout his territory by using this testimonial method.

*—D. A. Packard.*
MICHIGAN BUSINESS PAPERS,
*No. 33, p. 1:9.*

## Taking Stock of Divisionalization

WHEN INDUSTRY stood on the brink of its tremendous postwar expansion in May, 1945, 7 per cent of the manufacturers advertising in *Fortune* magazine were divisions of larger companies. In March, 1956, the figure stood at 32 per cent. This gives some idea of how rapidly and widely the organizational pattern called "divisionalization"—the segmentation of large enterprises into smaller more or less self-contained entities—has mushroomed.

Perhaps it has spread too fast. At least one large company that jumped on the divisionalization bandwagon shortly after World War II has recently begun to climb cautiously off. Products could actually have been produced more economically in one plant. Salesmen from different divisions were falling over each other calling on the same accounts.

Divisionalization based on marketing requirements is generally preferable to segmentation by products or manufacturing processes. But, like most generalizations, this is not universally applicable. Particularly it does not apply to process industries, be-

cause of the heavy expense of shipping raw materials or finished product, the high cost of facilities, and the relative unimportance of large and dispersed marketing activities.

A multi-product, multi-market, multi-process make-and-sell business enterprise does, however, find a number of advantages in divisionalizing around customer groups. Take, for example, a company operating a machine shop, a foundry, and an electrical assembly function, and selling part of the product of each to the restaurant industry and part to the hardware trade. Market-based divisions will be more likely to stand the competitive strain than divisions built around manufacturing processes, which would have to keep the facilities—foundry, machine shop, or electrical assembly shop—fully occupied.

Some companies have another and almost equally important reason for organizing around markets. A division can buy from sister divisions to provide a full line for the market it serves. Management will often find this preferable to running the risk of process or plant duplication.

The interdivisional agreement on fair transfer costs is probably not so great a problem in practice as it is in contemplation, particularly in corporations having a profit-based incentive plan that focuses divisional management's attention on the overall profitability of the enterprise. Management of each division recognizes that profit credited to the division matters less than total profit. And a growing number of students of management believe that control—from the point of view of profit accountability—does not require supervisory control. They hold that profit-and-loss responsibility can be fixed in an individual when he has *programming and budgetary control,* even when supervisory control rests elsewhere.

There is a trend toward establishing new divisions at an early date, even before there is conclusive evidence that they can be self-supporting. Many executives have come to believe that it is unwise to wait until a division can be established as a full-blown "make-and-sell" operation. They have seen evidence that delay in spinning off an activity, and consequent lack of attention to the opportunity, can cut into future profits. Some corporations establish what is really little more than a skeleton division, recognizing the possibility that the assignment may never grow to full stature or may even have to be dropped entirely. Some take a different tack. They have what is known as a development division, to which they assign products or processes that need cultivation. In effect, it is a hothouse for growing new divisions.

Another point to remember is that many apparently capable executives wilt in the cold, penetrating light of autonomy. Take the case of the paper-and-pulp company that recently formed a newsprint division, a packaging materials division, and a novelty manufacturing division. The managers of the newsprint and novelty divisions gradually adjusted to autonomy. But their counterpart in the packaging division was so accustomed to taking all his problems to the vice president for manufacturing, or sales,

or to the president, that he could not switch over to the new way of running the business. As a result, some of his division's activities almost came to a standstill.

Proponents of divisionalization say that the risk of executive casualty is, in effect, a net gain: It stimulates executive development through open competition. It puts executive candidates in an arena where the scoring system is both visible and understandable. The pace-setter is apparent; he represents the target for the remaining candidates.

Divisionalization seems to be working in a number of cases; it seems to be increasing in frequency, and the methods by which it is accomplished are continually improving. Whether or not it is always wise, it is probably a permanent step in most cases. Having made the change, a corporation is often prevented by its pride, if nothing else, from returning to a single-functional type of alignment. Furthermore, the divisional enterprise will be vociferously defended by the large number of executives who have achieved greater autonomy. Thus it is impossible to pass final judgment on the big business device of divisionalization.

■ *W. Cameron Caswell.*
THE JOURNAL OF BUSINESS,
*July, 1956, p. 160:12.*

## *Heart Disease and the Executive*

ONE POPULAR fallacy currently being scotched is that business executives are more prone to heart disease than those in less demanding occupations. Relative age has far more to do with the possibility of having a heart attack, according to Dr. Paul Dudley White.

Undoubtedly, heart conditions cause a great waste of fine executive talent—one of the few commodities genuinely scarce in today's business world—and there is good reason for business men to take their health seriously. One eminent consultant to industry has tabulated seven "danger signals" of approaching heart trouble which deserve the attention of every business man:

1. A tendency to start putting on weight.
2. Losing sleep because of business worries.
3. Growing apprehensive.
4. Developing a dislike for responsibility.
5. Finding the heart beating faster as job pressure rises.
6. Becoming reluctant to accept promotions.
7. Needing a drink or two to "get homework done."

One obvious answer, from the corporate standpoint, is a system of regular medical examinations for executives—at least as good as those furnished as a fringe benefit to employees, or by some unions to their members.

—*The Biddle Survey* (Biddle Purchasing Co., New York) 5/1/56

# Organizing for Marketing Planning

A REMARKABLE PARADOX of American business today is the contrast between the publicly admitted need for better marketing planning and the actual status of marketing planning. The fact is that planning, with a few notable exceptions, is rated a second-class activity in the typical corporate sales setup.

Most companies could improve their profits by an organized approach to planning in the following areas:

*Sales and advertising program planning.* This planning activity is primarily concerned with short-range plans (usually no more than a year ahead) for such things as promotion, contests, advertising media and schedules, new markets to be entered, and sales and advertising budgets.

*Market research.* Common activities in the market research area are determining potentials for present and proposed products by market, plotting changes in markets, measuring the company's and competitors' shares of market, determining customer uses of products, and planning for new product tests and measuring results.

*Distribution planning.* This planning activity utilizes much of the data developed through market research techniques.

*Sales forecasting.* Sales forecasting provides the foundation for most other planning. Short-range sales forecasts provide the basis for manufacturing schedules and manpower needs, sales controls, purchasing requirements, inventory needs, and working capital and profit forecasts. Long-range sales forecasts provide the basis for facilities planning, capital investment, research needs, and organization and personnel planning. When forecasts are not adjusted with changes in conditions, manufacturing and other departments tend to take matters into their own hands and make their own estimates of the situation. The damage to profits can be almost as serious as if no forecasting were done at all.

*Product-line planning.* Because of its closeness to the customer and competition, the sales department is in an excellent position to sense situations that require adjustments in the product line.

*Inventory planning.* Finished inventories are properly the responsibility of the marketing side of the business. Important as the cost of capital invested in inventories is, however, a common fault of company management is to look *only* at the size of the investment in inventories and, if it seems high, to order an arbitrary percentage reduction in finished inventories. But this overlooks the fact that investment in inventories may be less costly than investment in facilities required to meet peak production demands.

*Pricing planning.* Marketing developments in the past few years have played havoc with long-established pricing policies. The widespread discount pricing of consumer products

by retailers and discount houses is a well-known illustration.

*Credit planning.* Increasing use of consumer credit has brought about a need for planning in an area formerly of interest to only a handful of industries. Whether to use credit, how far to extend it, and whether to finance through company funds or through lending institutions—all are problems offering important areas for study. Closely allied are the questions arising in the areas of distributor and dealer financing. The frozen food industry—in order to build a distribution system for its products—found it necessary, in effect, to finance distributors through liberal inventory credit terms. Some tire companies assist new dealers to finance their inventories in order to broaden their dealer selection base.

*Profit planning.* Marketing staff planning personnel should be trained to apply the profit test against all programs they develop and to assess the effects of marketing plans on capital requirements and on operations of other departments.

Although no two companies are exactly alike, the following six-step approach to improving marketing planning (or any other company planning) can be used by any business:

1. *Review and clarify company objectives and policies.* Does the company want to be large or small? Does it want to sell a single product or a diversified product line? Does it want to produce a one-quality line or a varied quality and multiprice line? Does it plan to remain local or regional in character, or to market nationally or internationally?

2. *Identify major areas requiring organized planning.* Not even the largest companies will find it profitable to set up planning staffs for all the marketing planning activities referred to earlier. A company manufacturing heavy machinery to order would have little to gain from finished inventory planning. On the other hand, a food or petroleum company with a heavy investment in field inventories can obtain important results from it.

3. *Determine activities to be performed.* Examples of such activities are obtaining the kinds of facts required, analyses of data, consultations with personnel of other departments, committee assignments, and specific reports to be prepared.

4. *Group activities into positions and determine organization plan.* This may simply be a case of assigning additional activities to already established planning units, such as the marketing research group, or it may require the establishment of new positions.

5. *Staff the new positions.*

6. *See that the planning works.* Marketing management must make sure that planning is directed along realistic lines, that it concentrates on top problems, and that it constantly considers the effect of plans on company profits. Top management must make sure that planning carried on by various departments is coordinated in the best over-all interests of the business.

■ *Victor P. Buell.*
THE JOURNAL OF MARKETING,
*July, 1956, p. 68:4.*

## *Keeping Score on Worker Performance*

WHEN OFFERED only once or twice a year during a progress review, a supervisor's appraisal of a worker's shortcomings or poor work habits is likely to come uneasily and unpersuasively. To remedy this, several units of General Motors Corporation and about 50 other plants, large and small, have been experimenting with a technique which records the incidents as they happen, while playing down as much as possible any subjective evaluation.

Here's the general idea: For particular categories of employees, the things an employee does which determine success or failure are defined. Action which either aids or hinders effective operation is listed under such broad headings as productivity, attention to details, response when extra effort is needed, etc. Supervisors record summaries of what the employees do on the favorable (blue) or unfavorable (red) side of a ledger. They then let the employees know what they have recorded within 24 hours, both to verify the facts and to start the employee immediately on the right road.

Periodic discussion every six minths or so centers on the balancing of the red and blue entries. Where most incidents fall on the red side, the supervisor and employee get together to work out a course of action to overcome the weaknesses.

Blue entries generally run four-to-one or more against red ones in plants using this technique. This makes it psychologically easier for supervisors to bring up shortcomings for comment. And the employee has an incentive to improve in order to earn blue entries.

—*Labor Report* (Research Institute of America, 589 Fifth Avenue, New York 17, N. Y.) Vol. 13 No. 6

## *Business Borrowing—The Patterns Are Changing*

THE FIRST composite portrait of the business borrower that it has painted in the postwar period was recently unveiled by the Federal Reserve System. The statistical portrait, based on the "state of (loan) affairs" as of October 5, 1955, had as its model a sample survey of the business loans made by member banks.

The portrait's broad lines showed a total $31.6 billion in credit to business, $30.8 billion of it in 1.3 million individual loans, the remaining $780 million in assorted open market paper.

There were plenty of changes since the last report of borrowers sketched back in 1946:

The dollar amount of loans last year was two and one-third times more than the 1946 figure; the number of individual loans had doubled. The pattern of loans among borrowers of different sizes was markedly changed, reflecting both a decline in the relative importance of small

business, both new and re-established, and the upthrust of prices in general, which pushed up corporate assets. Average interest rates, as was to be expected, were above the 1946 levels, and averaged 4.2 per cent.

In the years since 1946, wholesale trade showed the greatest decline in relative importance as a borrower. Manufacturing and mining also lost some weight, accounting for 37 per cent of the total instead of 43 per cent.

The most salient change was the tremendous gain in loans to real estate companies. A minor factor in 1946, they climbed to $2.4 billion, or 8 per cent of all loans. Construction loans also soared, to $1.7 billion from the earlier $446 million.

In every industry, the largest number of loans went to companies with assets of $250,000 or less. But companies with assets of $5 million or more upped their share of the dollar total from 44 per cent to 45 per cent. The share going to the $250,000-$5 million group went up much more markedly, to 34 per cent, from 29 per cent in 1946.

—*Business Week No. 1393*

## *Spending for Services—*
## *How the Dollars Are Distributed*

THE AVERAGE American spent one-third of his net income for services last year, according to a recent Department of Commerce study.

Of the total personal income of $303 billion in 1955, $35 billion was lopped off for taxes, about $17 billion was saved, about $160 billion was spent on goods, and the remaining $91 billion went for services (defined as all consumer expenditures exclusive of goods and taxes).

Last year's spending for services (excluding money spent abroad or spent by foreign nationals here) was distributed as follows:

Care of clothing and accessories, $3.2 billion; personal care, $1.4 billion; housing, $31.2 billion; household operation, $13.6 billion; medical care and death expenses, $10.1 billion; personal business (brokerage, insurance, interest), $12.5 billion; transportation, $7.4 billion; recreation, $4.9 billion; private education and research, $2.8 billion; and religious and welfare activities, $3.4 billion.

—Elmer Roessner in *Business Today*

## AMA RESEARCH AND DEVELOPMENT CONFERENCE

***A Special Conference on Organizing Research and Engineering for Profit will be held by the Association Thursday and Friday, October 18 and 19, at the Hotel Statler, New York.***

*For the Specialist . . .*

# New Applications of Profit-Sharing Plans

TWO WEAK SPOTS are common to many profit-sharing plans, and both may be corrected.

The first we might call the "beginner" problem—the lack of adequate protection for an employee during his first few years as a participant. The pension plan participant is immediately covered. Not possible in profit sharing, you say. That is where you're wrong—you can not only have your cake but, in this instance, you can eat it too. This can be done through convertible life insurance. Carefully chosen individual policies with minimum annual premiums will furnish adequate coverage, yet avoid both the tax liability and nearly all the annual outright cost normally incurred in term insurance.

There are advantages in having the trustee the beneficiary. Since, at retirement, the trustee can pay up the difference between the minimum and maximum insurance reserves (plus a minor conversion cost) from the participant's trust fund balance, the only loss suffered through the life insurance investment, if any, would be the difference between (1) the cash value of the policies plus accumulated dividends and (2) the investment value plus earnings of the fund for equivalent dollars.

Another way to open an umbrella is to insure your trust investments. To illustrate, let's assume you as trustee have an agreement with a mutual fund to purchase a specified minimum number of shares periodically with an objective total investment and time element specified in the agreement. For instance, you might agree to purchase a stated number of shares annually; or, to get some advantage of dollar cost averaging, you might agree to purchase a commensurately reduced number monthly. You then insure the participants for the objective figure, the insurance automatically renewable for the years required to reach that figure. Although you incur constructive receipt for group term insurance, the cost advantages for the mutual shares thus acquired plus the insurance coverage for the balance can result in some interesting arithmetic.

But these approaches are of comparatively little value in solving the "oldster" problem—the other major weakness in today's typical profit-sharing plan. The participants faring the least well are those between the ages of 55 and 65. There just isn't time enough for them to accumulate a retirement nest egg.

Internal Revenue recognizes this inequity and will qualify a special plan which is designed to cope with it in a fair manner. This special plan may be a part of the over-all plan, or

it may be submitted for separate qualification.

In general, the plan incorporates two variables—the first variable being graduated sums per year of service, increased as the retirement age is approached; the second, the service years of the specific oldster. Thus a participant who has been with the company 20 years and is 56 years old at the start of the special oldster plan might have $100 credited to his trust fund account, whereas another whose date of employment was the same year but whose age is 65 might be credited with $5,500.

The total amount required for the special oldster plan may be subtracted from the total profit shared the first year if the amount for distribution can stand it, or a percentage may be taken out annually until the total required is in the oldster's reserve fund. All participants, including the oldsters in the special plan, share in the balance.

While you could go back to the participants and sell them on revising their percentage downward to cope with this allocation, don't forget that if your plan is very recent you still have some participants who are suspicious and are looking for the gimmick. The only safe course is to submit a separate plan for qualification, its cost to be absorbed by the allocation of an additional percentage of profits.

The injection of the psychological "spillover" appeal to participants is another one of a thousand unusual ways to set up profit sharing so as to sustain interest at all levels.

Rather than initially using the full 15 per cent of payroll allowed by Internal Revenue, the deferred income portion of a combination plan may be approached a little differently. You suggest, for instance, a bogey of 8 per cent of pay as the *deferred income portion,* since 20 per cent of profits (which is all the company can afford at the then earnings level) is equal to, say, 4 per cent of the payroll. The company agrees that when profits shared exceed the 8 per cent of payroll bogey the "spillover" dollars into the increased deferred income portion will be matched with an equal number of dollars for a cash distribution. Thus, at the full 15 per cent of payroll allowed for tax-exempt deferred income, the company is sharing profits at 22 per cent of the payroll, of which the participants are receiving 7 per cent of their pay as the cash profit share. For profits shared beyond this 15 per cent of payroll, the "spillover" would, of course, be all cash.

At this point the company is, of course paying a higher percentage of profits into the plan. However, since the formula is tied to the payroll dollar, the higher percentage must result from more efficient operations rather than from increased volume with expanded facilities. A maximum limit beyond 20 per cent of profits could, however, be established.

■ *C. R. Ekholm.*
CONNECTICUT INDUSTRY,
*August, 1956, p. 14:3.*

# ALSO RECOMMENDED

*Brief Summaries of Other Timely Articles*

## GENERAL

**CONSERVATIVES, BUSINESSMEN, AND BLATHERSKITES.** By Robert G. McCloskey. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1956. $2.00. Most business men want to be conservatives, the author says, but many do not have a clear and comprehensive concept of just what American conservatism is. The author returns to the philosophies of Washington, Hamilton, Adams, Marshall, and the other Founding Fathers to show that authentic American conservatism is basically moderate, legalistic, responsible, republican, and pro-intellectual.

**THE ILLUSION OF OWNING A BUSINESS.** By Frederick W. Copeland. *The Atlantic Monthly* (8 Arlington Street, Boston 16, Mass.), September, 1956. 50 cents. The problems and hazards of attempting to start a business are described in this article, in which the author advises the young man eager to be his own boss to get his experience and training with a good-sized company rather than wasting years (and capital) in a project for which he is not yet fully equipped.

**THE ASPIRIN STANDARD—OR HOW TO MEASURE LIVING STANDARDS.** By Leopold Kohr. *The Business Quarterly* (University of Western Ontario, London, Ont., Canada), Summer, 1956. $1.00. After a society reaches its optimum size—the size at which it can furnish the material means of subsistence and the elements of cultural development—further growth makes "technological necessities" out of goods and services that were once luxuries, in the author's view. He holds that these "remedial goods"—transportation services, many legal and medical services, replacement goods for wear and losses that would not have occurred in a smaller, less complex society, etc.—require increasingly great expenditures as the society grows, with the result that living standards, instead of increasing, may actually decline.

**THE NEGRO'S NEW ECONOMIC LIFE.** By Emmet John Hughes. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), September, 1956. $1.25. The 17 million Negroes in the United States constitute a great underdeveloped human resource, says the author of this broad survey of Negro progress in the last 15 years. Although discrimination is still prevalent in industry, unions, and social relations, the author points out many indications of impressive progress in the Negro's economic life, among them the fact that Negro per capita income is nearly three times the prewar level.

**IS INDUSTRY'S WATER LEVEL TOO LOW?** *The Iron Age* (Chestnut and 56 Streets, Philadelphia 39, Pa.), August 2, 1956. Reprints gratis. United States industrial plants, which now use 80 billion gallons of water a day, will need three times that amount by 1975, according to this special report. Although the total supply of water is adequate, shortages in some areas are acute, and this article describes some of the steps industry is taking to obtain more water and to make more efficient use of the available supply.

**BUSINESS FIGHTS COMMUNISM OVERSEAS.** By W. Jack Butler. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1956. $2.00. With its industrial output expanding at more than double the U.S. rate, Russia has launched a program of economic aggression that requires new

thinking and effective action on the part of American business men, the author says. Stressing the importance of demonstrating to underdeveloped peoples what the values of a free industrial society are and how they can serve their needs, the author calls for the establishment of more overseas enterprises and the partnership of government and business in a joint foreign aid program.

**OPERATIONS RESEARCH: NEED FOR RE-EVALUATION.** By George S. Odiorne. *Michigan Business Review* (University of Michigan, Ann Arbor, Mich.), July, 1956. Gratis. Operations research, conceived about 15 years ago to solve strategic military problems, has many advocates who have sought ways to apply and extend its methods to industrial management decision-making. The author maintains that OR has gone far in adding advanced mathematical techniques to the tools of management, but that its value as a means of making tactical business decisions has yet to be proved, and he holds that proponents of OR are on dubious grounds when they attempt to use its techniques in the field of general management theory and group relations.

**CONTRIBUTIONS TO ADMINISTRATION BY ALFRED P. SLOAN, JR., AND GM.** By Ernest Dale. *Administrative Science Quarterly* (Cornell University, Ithaca, N.Y.), June, 1956. $2.00. This evaluation of Sloan's contributions to administrative thought describes his introduction of a series of administrative skills in organization, forecasting, policy-making, controls, and human relations and contrasts his organizational ability with the innovational skill of W. C. Durant, founder of General Motors. The author considers Sloan a pioneer in the application of scientific management at the very top levels.

## INDUSTRIAL RELATIONS

**"PERSONNEL'S" PLACE ON THE MANAGEMENT TEAM.** By Herbert L. Marx, Jr. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), August, 1956. 75 cents. Lack of clarity regarding just what the personnel function is has resulted in a failure on the part of many managements to obtain all the advantages available to them through the effective utilization of personnel know-how, the author says. In this article, he suggests a program in which the personnel manager is used as an active part of management, rather than as a specialist isolated from the planning of company policy or as a mediator between management and employees.

**FOR MAKING EMPLOYEES CLICK.** *Newsweek* (Broadway and 42nd Street, New York 36, N.Y.), September 10, 1956. 20 cents. Each year, inefficiency born of monotony costs industry an estimated $3 billion in waste of men and machines, and rising costs are making it increasingly important to solve the problem. This article tells how the introduction of music, air conditioning, soundproofing, and special lighting and color effects has measurably improved worker productivity in many plants and offices.

**FRINGE BENEFITS TODAY AND TOMORROW.** By Arthur M. Ross. *Labor Law Journal* (4025 W. Peterson Avenue, Chicago 30, Ill.), August, 1956. $1.00. The author's examination of the development, cost, and present status of fringe benefits leads him to some observations on future probabilities: (1) By 1960, fringe benefits will comprise 25 per cent of the average payroll; (2) major emphasis will be placed on economic security benefits; (3) employers will become more concerned over the cost of fringe benefits;

(4) more attention will be paid to attaining logical balance in the fringe structure; (5) overtime provisions will be changed in some industries through a reduction in the normal work week; and (6) in some industries, an integrated, multipurpose fringe benefit will emerge, financed by the employer and administered by a joint board or advisory committee.

**GETTING TECHNOLOGISTS OUT OF NOWHERE.** By Alfred G. Larke. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), June, 1956. 75 cents. Some companies are reworking job requirements and others are depending on special training programs in their efforts to fill engineering jobs with non-professionally trained recruits. Replies to this 60-company survey indicate, however, that most firms currently recruiting liberal arts graduates for this purpose have not yet had enough experience to make a conclusive evaluation of their performance in technical positions.

**UNION-MANAGEMENT RELATIONS: AN INTERPRETATION.** By Harry Seligson. *Labor Law Journal* (4025 West Peterson Ave., Chicago 30, Ill.), July, 1956. $1.00. Union representatives and management have reached a degree of maturity that makes possible a period of relative harmony, the author suggests, basing his conclusion on a review of the history of labor-management relations in this country and on his analysis of the current trends. For this reason, he feels that attempts by management to win the allegiance of employees from the union are no longer appropriate and will result in discord and union suspicion of many worthwhile techniques of personnel administration.

## OFFICE MANAGEMENT

**USE YOUR ORGANIZATION CHART TO PLAN YOUR OFFICE LAYOUT.** By William Bowman Worthington. *The Office* (232 Madison Avenue, New York 16, N.Y.), September, 1956. 35 cents. Pointing out that the basic principle of office layout should be the maximum convenience of interchange between work stations, the author of this article describes a method of laying out the office to match as closely as possible the organization chart—which, he says, will in most cases closely approximate the basic communication pattern.

**BUDGETING DIRECT LABOR EXPENSE IN THE OFFICE.** Part I. By Edwin T. Ashman. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1956. 35 cents. With the number of persons engaged in clerical work high (8 million, according to the Department of Labor) and getting higher, the problem of controlling office labor costs is becoming increasingly pressing. As an aid to relating clerical labor to definite quantities of measured work and assigning responsibility for each item of expense to a specific individual, this article outlines methods of developing clerical work standards and charting the projected clerical work load.

**WHAT OFFICE ADMINISTRATORS SHOULD KNOW ABOUT CONTRACTS.** By Earl W. Mounce and Robley D. Stevens. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), September, 1956. 35 cents. During the course of a year, the office manager may, without realizing it, enter into hundreds of contracts—oral, implied, or written—for the purchase of office equipment and supplies, and he is frequently unaware of the liabilities

he is incurring and the rights he is creating for himself in the process. This article describes the various types of contract and explains the elements of a legally enforceable contract.

**WHAT MAKES UP AN ADEQUATE RECORDS PROGRAM?** By William Benedon. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N.Y.), August, 1956. $10.00 per year. Proven techniques for improving the usefulness of records and maintaining records economically are emphasized in this article, which also discusses the operation of a records center, important records-control forms, microfilming, and protective storage.

**OFFICE CLEANING AND MAINTENANCE.** By Sidney Feldman. *The Office* (232 Madison Avenue, New York 16, N.Y.), September, 1956. 35 cents. According to the size of the establishment, cleaning and maintenance operations may be handled by the company's own employees or by a hired firm. In addition to describing the services that are available for hire and discussing factors to be considered if a company prefers to have its own cleaning and maintenance staff, this article offers an extensive chart of standards for cleaning office buildings, which lists tasks to be performed, equipment necessary, time required, and normal frequency of the operations.

## PRODUCTION MANAGEMENT

**21st ANNUAL MATERIALS HANDLING YEARBOOK.** *Pacific Factory* (709 Mission Street, San Francisco 3, Calif.), July, 1956. $1.00. Citing the trend of management to view materials handling as an over-all problem, rather than a series of isolated operations, this yearbook emphasizes management aspects of materials handling. A method of analyzing materials handling problems and the use of the problem-solving survey for materials handling are highlighted in this issue, which also contains articles dealing with such aspects as the committee approach to material handling problems, perpetual inventory through modern handling, and loading patterns.

**AUTOMATION IN PACKAGING.** By L. A. Ledgett. *Flow* (812 Huron Road, Cleveland 15, Ohio), September, 1956. 50 cents. Automation in packaging will not be achieved, in the author's opinion, until the packaging line includes automatic controls and monitoring that provide for measurement and feed-back control of qualitative and quantitative factors in operations performed, measurement and adjustment for machine wear, slippage, and displacement, and detection and signaling of trouble spots to reduce the amount of work that must be done by technicians and maintenance personnel. Among the advantages cited for automated packaging lines are increased speed and quality control, lower scrap and maintenance costs, and a reduction in multiple line requirements and number of technicians necessary.

**WE MUST BUY QUALITY.** By Barry J. Shillito. *Purchasing* (205 East 42 Street, New York 17, N.Y.), August, 1956. $1.00. The primary emphasis in the procurement program of a company manufacturing complex electronic devices must necessarily be on quality, the author says, pointing out that a piece of equipment containing 300 parts, each with a reliability of 99 per cent, would have a probability of failure 19 times out of 20. This description of the purchasing setup at the Hughes Aircraft Co. (Culver City, Calif.) points out that, in addition to writing strict specifications, conducting rigid inspections, paying reasonable

rates, and providing technical assistance to suppliers who require it, an educational program designed to demonstrate to suppliers the importance of reliability has provided vital incentives to top performance.

**PLANNING 1957 SHUTDOWN JOBS.** By Leif W. Poll. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), July, 1956. 50 cents. In plants operating around the clock, seven days a week, much of the necessary maintenance and construction work can be accomplished only during the annual two-week vacation shutdown. The author of this article describes how his company (General Electric Co.) plans the schedule of work to be done, decides the manpower requirements, estimates the cost, and puts the program into effect.

## MARKETING MANAGEMENT

**THE AMAZING ADVERTISING BUSINESS.** By Daniel Seligman. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), September, 1956. $1.25. The total volume of advertising in the United States is close to $10 billion this year—approximately triple the 1946 level—according to this account of the general state of affairs in the bizarre business of advertising, where newcomers with little capital can soar to the big leagues in only a few years, and established agencies with $45-million billings can go up in smoke overnight.

**BETTER FIELD SUPERVISION CAN BUILD YOUR SALES.** By Carl Sigler. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), August 10, 1956. 25 cents. Many companies are overlooking the importance of their field supervision in lowering costs, increasing sales, and building better customer relations, the author feels. In this article, he outlines the basic responsibilities of a district manager, discusses hiring, training, and rating prospects for this position, and suggests means of strengthening present field supervision.

**WHERE TO SELL IN THE NEW INDUSTRIAL MARKETS.** By Thomas Kenney. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), August, 1956. 75 cents. Shifts in the pattern of industrial income and spending may require companies selling to the industrial market to redirect their sales efforts drastically, the author reports. This comprehensive guide to 90 key industrial areas, based on the new U.S. Census of Manufactures, should be of value in appraising market potentialities and changes that have occurred since the last Census of Manufactures in 1947.

**INDUSTRIAL ADVERTISING'S INCREASED RESPONSIBILITY IN MANAGEMENT.** By David F. Austin. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), June, 1956. 25 cents. Today the industrial advertising executive is becoming an important part of the management team, with clearly defined responsibilities in distribution complementing those of the sales manager, the author states. His key functions are reviewed in some detail here.

**SHAPE OF PACKAGES TO COME.** *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), August 31, 1956. 25 cents. With the growing number of self-service stores, which are also increasing in size and therefore carrying greater varieties of merchandise, shape in packaging is becoming increasingly important. In this section, 10 top designers present their views of how and why shape is a vital factor in the salability of packaged goods.

## FINANCIAL MANAGEMENT

**FINANCING PENSION BENEFITS.** By Laurence J. Ackerman. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1956. $2.00. Pointing out that, at the current rate of growth, the annual contribution to pension plans will approximate $6 billion by 1960, the author analyzes the important problem of financing such plans and suggests criteria for the selection of the most appropriate means. Various types of insured and trusteed pension funds are described in this article, which outlines the main cost factors entailed in the adoption of a pension plan.

**MORE EFFECTIVE SHAREHOLDER RELATIONS.** By Harold W. Danser, Jr. *Advanced Management* (74 Fifth Avenue, New York 11, N.Y.), August, 1956. $1.00. The attainment of increased confidence, good will, and active support of present shareholders and the expansion of stock ownership among conservative investors are cited by the author as some of the advantages of good shareholder relations. After a discussion of annual reports and other contacts with shareholders, this article outlines a long-term program of education, including such aspects as meetings for members of the financial community, securities rating agencies, and investment advisory services; plant tours for analysts; mailing programs; and releases to the financial press.

**WRITING THE BID PROPOSAL.** By Earl Stowell. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1956. 35 cents. All other things being equal, says the author, the proper preparation of bid proposals can mean the difference between success and failure in obtaining an important contract. Pointing out that a powerful, well-organized proposal will assure careful consideration and often acceptance of a proposition, he presents tips on organization, phrasing, and other aspects of proposal writing.

## INSURANCE MANAGEMENT

**THE ATOMIC AGE.** By James M. Crawford. *Best's Insurance News* (75 Fulton Street, New York 38, N.Y.), July, 1956. 50 cents. The commercial development of nuclear energy is dependent upon the availability of vast amounts of liability insurance—as much as $500 million. Describing how companies in both the stock and mutual fields are organizing syndicates in an attempt to create an underwriting pool large enough to meet this unprecedented demand, the author points out the necessity of government participation to supplement the capacity of private enterprise and discusses other problems related to the indemnification of nuclear risks, notably the extremely high premiums that will in all likelihood be necessary.

**DO VARIABLE ANNUITIES MEET THE NEED?** By Carroll M. Shanks. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1956. 75 cents. Although fixed-dollar annuities give solid protection against the loss of income, variable annuities, which provide benefits that are keyed to the value of an underlying stock portfolio, are a necessary supplement to protect the pensioner against loss of purchasing power owing to cost-of-living changes, the author believes. In this article, he presents the affirmative side of the highly controversial question of whether legal restrictions should be lifted to permit insurance companies to make variable annuities available for both individuals and employee pension plans.

# Man and Manager: An Executive Profile

■ *Lydia Strong*

HOW PRACTICAL is the gospel of sound human relations in industry? Are people really the No. 1 concern of the practicing executive—or is this notion just a bit of propaganda dished up by "experts" who are far enough removed from the struggle so that they don't have to practice what they preach?

Judging from the results of a new survey, American executives—or at least the sizeable segment of them that participates in the activities of the American Management Association—are more people-centered than the most ardent human relations advocate would have dared to claim.

The objective of THE MANAGEMENT REVIEW's latest survey was to obtain a personal profile of the executive: his immediate job, his career, his educational preparation, his after-hours activities, his plans for the future, how he feels about his job. No questions were asked about people, or about human relations.

Spontaneously, separately, and without prompting of any kind, the survey respondents underscore the importance of people. They say that the quality most needed by an executive is the ability to work with people; that the greatest rewards, and also some of the worst headaches, in being a manager lie precisely in dealings with people; that human relations and the humanities, far more than

technical specialties, are what they wish they'd learned more about at school.

At the AMA's General Management Conference last Spring, the participants were asked to take time out to answer questions concerning their careers and education; their personal opinions and activities; their plans for retirement. Though the sample thus obtained cannot be described as a scientific cross-section of all U.S. managers, it does represent with reasonable accuracy the more thoughtful and progressive executives in the field of general management today.

## MAKEUP OF THE SAMPLE

Of the 214 respondents, 126—or three out of five—belong to top management.* These include 18 presidents, 56 vice-presidents, and 11 other officers, as well as 41 managers, directors, and division and department heads. The middle management group of 88 is composed chiefly of men in charge of secondary divisions and departments.

The respondents work for companies having anywhere from 20 to 200,000 employees; average company size is 14,400 employees.

Average age of men in the group is just over 45. Company presidents average 49 years of age, men in top management 48 years, men in middle management 43.

Age is directly associated with earnings. For the group as a whole, median earnings run between $20,000 and $30,000 a year (Table 1). For the younger men, up to 40, the median is $10,000-$15,000; for men between 40 and 60, the median is $20,000-$30,000; for the small group of 61 and over, it rises to $40,000-$50,000. But gray hairs don't necessarily harvest dollars: Both the oldest and the youngest man in the survey earn between $5,000 and $10,000, and the two top earners (over $100,000) are 42 and 59 years old.

Job level makes the expected differences. Median earnings for company presidents are between $30,000 and $40,000; for top

* As defined by AMA's Executive Compensation Service: company presidents or other officers, company managers, or heads of major divisions and departments.

management as a whole, \$20,000-\$30,000; for middle managers, \$10,000-\$15,000.

## GETTING THERE TAKES TIME

"What I want to know is how to get up there," said one respondent, indicating the high-salary brackets.

Few short cuts seem indicated. Time emerges as a principal, even though not as a decisive, factor in executive advancement.

Men in the lowest earnings bracket, up to \$10,000, have been working an average of 14 years and have been executives for six. Men in the three top brackets, \$50,000 to over \$100,000, average 32 years at work and 21 as executives.

It is true, of course, that long service doesn't automatically bring high pay. Several low-bracket men started 30 years ago; one of the top earners is just rounding out his tenth year as an executive. Ability—and opportunity—make an enormous difference. Yet the odds are that even an able executive who gets the breaks will take a good many years to reach the top.

When length of service is related to management level, the same picture emerges: Top managers have been working on the average 26 years, have served as executives for 15. Middle managers average 20 years at work, 10 as executives.

Few respondents (less than 4 per cent) started out in professional management and administration. Close to one-third began their careers in engineering and other technical fields; about a fifth started in sales, close to a sixth in accounting; these three fields account for more than half the men surveyed. Fifteen men began their careers in some phase of production, 11 in personnel work, six in teaching. Whatever their start, two-thirds of the participants have now moved on into broader fields.

## CHANGE JOBS—OR STAY PUT?

It is often asserted that an executive should move around from one company to another, both to gain experience and to increase his earnings. Whether or not this is good advice, the majority of respondents haven't taken it. Three men out of five are still working for the company that gave them their first executive job; only 5

## TABLE 1

### Total Income of Respondents from Job

| *Income group* | *No.* |
|---|---|
| Above $100,000 | 2 |
| $75,001-$100,000 | 6 |
| $50,001-$75,000 | 7 |
| $40,001-$50,000 | 13 |
| $30,001-$40,000 | 25 |
| $20,001-$30,000 | 54 |
| $15,001-$20,000 | 43 |
| $10,001-$15,000 | 42 |
| $10,000 and below | 19 |
| | 211* |

* 3 men did not state their incomes.

per cent have changed companies more than once since attaining executive status.

The number of job changes is slightly higher for men in the top income brackets, but these men have, as a rule, been working many more years and have presumably had more opportunities to shift. Nevertheless, the majority have remained with their original employers.

Respondents have worked for their present companies, on the average, over 16 years—or longer than they have been executives.

Switching jobs within a company is another story; all but a small minority have held more than one job with their present employer. Some men have had as many as 14 jobs; the over-all average is four.

Men in all salary brackets but the lowest, and in both top and middle management, have had about the same average number of jobs within the company—but there have obviously been great differences in the size of the upward step with each new job. The moral is clear: *how* one changes jobs is more important than how often.

Presidents, incidentally, average fewer jobs within the company than other executives; in some cases this is because they founded the company and stepped into top position from the start.

An executive may stay with his original employer because he prefers to and has planned it that way. Or he may stay on, as some

observers have suggested, because he doesn't quite know how to go about getting a new job.

Of 111 participants who entered their present companies at the executive level, 13 are owners and/or founders. This leaves 98 men who changed employers. More than half, 56, shifted at the invitation of the new company; only 42 men, therefore, themselves took overt steps toward a new job. Of these, 16 applied direct to the company, 10 were referred by employment agencies, 7 answered advertisements, 5 were referred by management consultants, 4 were introduced by friends.

It does look on the face of it as though more than half of the men who changed jobs did so at the new employer's initiative. Yet this appearance may be illusory; it probably takes more skill and planning to engineer an invitation than to apply directly.

The proportion of men changing jobs at the invitation of the new employer is about the same for all earnings brackets and for all levels of management. Of the men who go job-hunting, those on the lower echelons are more likely to use an employment agency; those at higher levels are more likely to apply to the company.

## LONGER HOURS, LONGER VACATIONS

As was foreshadowed in an earlier study,* the high-paid executive usually earns his pay, not only by his superior ability, but also by harder work—as expressed by the sheer number of hours put into the job. Men earning over $50,000 average a back-breaking 18½ hours a week of overtime. Some of these men work 70 to 85 hours a week—or enough to hold two ordinary jobs.

Executives earning up to $20,000 a year put in 11 extra hours a week. For the group as a whole, overtime averages 12½ hours, including time spent in business reading and business entertainment.

Top men compensate themselves for some of the extra overtime by taking longer and more flexible vacations. Top management men averaged over three weeks of vacation last year; many got away for four, five, six, even eight weeks in the course of the year. The average vacation for middle managers was less than 2½ weeks; many took three weeks, some took four, but a sizeable group had

* "Of Time and Top Management." THE MANAGEMENT REVIEW, June, 1956, p. 486.

only a week or less away from work. The wider range of vacations for top managers reflects their greater freedom to pace themselves and arrange their own working time.

Length of vacation is directly related to income. The median vacation for men earning up to $15,000 is two weeks; $15,000 to $75,000, three weeks; above $75,000, five weeks.

Two-thirds of all the respondents hold some stock in the firms they work for; a somewhat larger number, seven out of 10, hold stock in other companies. The probability of a man's holding stock in his own company varies directly with his job level and his earnings. Ninety-four per cent of presidents, but only 58 per cent of men in middle management, hold stock in their own firms.

## HOW THEY PREPARED

Men in top management started work, on the average, at the age of 21. The middle managers, a younger group, started work at 23. This two-year difference is one indication of the fact that the new crop of business executives is perhaps the best educated, and certainly the most lengthly educated, in U.S. history.

Three out of four respondents are college graduates, and one out of four has done graduate work. But the level of education varies sharply with age. Among the men up to 40, four out of five are college graduates; among the men of 61 and over, only two out of five have completed college.

As a direct corollary, college degrees are scarcer at the higher levels of management. Only half the company presidents went through college,* as compared with 81 per cent of the middle managers.

It also turns out, rather amusingly, that more than a third of the men who got no farther than high school (some never got *to* high school), earn over $40,000 a year, while fewer than one-tenth of the men with degrees have as yet reached this bracket. This is not an indictment of higher education, but a reflection of the fact

* This compares with 57 per cent of the sample investigated by Warner and Abegglen in their study of 8,000 top executives. See "Executive Careers Today: Who Gets to the Top?" by W. L. Warner and James C. Abegglen, The Management Review, February, 1956, p. 53.

that most of our current top earners started during a period when a college degree was not so much of a prerequisite for business acceptance as it is today.

## SPECIALIST VS. GENERALIST

Most of the college men specialized in some professional or technical subject—a logical course of action, considering the emphasis put on a specialty by business recruiters. Two out of three of those having any college education took specialized training rather than liberal arts, and among the graduates the proportion was about the same. Of 155 degrees, 76 are in science, 23 in business, 8 in law, and only 48 in the liberal arts.

On the whole, the liberal arts men have been more successful, both as to income and status, than the specialists. A higher proportion of them are in the top earnings brackets, and also a higher proportion have reached the ranks of top management. It may be, however, that related factors, such as family finances and social standing, are partly responsible for the success of this group.

Among the specialists, the small group who studied law have the highest average earnings. They are followed closely by applied science graduates, then by the business and finance majors. Specialists in pure science and mathematics, and a small group of social science men, earn well below average — most of them under $15,000 a year.

How much use has been made of the special training? Among the men surveyed, fewer than half are now using it. This does not mean, of course, that the training was entirely wasted. Many men in top jobs used their specialties as a means of getting their first jobs in industry.

Business courses constitute an exception. Of the 56 men who prepared for business, accounting, or finance, 43 are still making use of this training.

The high regard in which business and management courses are held is shown further by the fact that two out of three respondents took such courses after they had finished their formal schooling, as a step in advancing their careers.

Middle managers are more likely than top managers to have had

such training at company expense. Because formal company executive development programs are of such recent growth, only a quarter of the men in top management—as against nearly half of the middle managers—have had such training.

## WHAT THEY MISSED AT SCHOOL

Despite their high educational level, few of the participants feel that they got all they needed out of school. Those who specialized are particularly likely to wish they had a broader background. Asked to name major gaps, if any, in their education, three men out of four among all respondents—but four out of five among the specialists—complain of certain deficiencies.

The men with technical training feel they did not learn enough of the humanities, of human relations, and of business and management. Lack of poise, self-confidence, and ability to deal with others and handle practical aspects of living are common complaints. "Too few fundamentals," says an engineering graduate. Another, now a vice president, comments, "The world is full of people, not things."

Fewer liberal arts graduates name specific shortcomings in their education, but many wish that they had had more education or that they had taken fuller advantage of their opportunities for learning. Among the specific lacks they do mention, finance and economics head the list.

Oddly enough, the men at the educational extremes—those who have had both a liberal arts and a specialized education, and those who have not attended college—seem least inclined to complain of gaps in their education.

## WHAT MAKES AN EXECUTIVE?

About as many attempts have been made to list "qualities of a successful executive" as there are writers on this subject. Many such lists are based on the writers' personal opinions, as formed by their individual experiences. Quite understandably, there is a good deal of disagreement. Other lists, based on psychological testing or rating of successful executives, likewise tend to show wide variation.

The listings presented in Tables 2 and 3 give the composite answer of 201 respondents to the question: "What three personal characteristics do you feel are most needed by an executive?" Their

## TABLE 2

### Personal Characteristics Thought to be Most Needed by an Executive*

| *Characteristic* | *Named by* | *Characteristic* | *Named by* |
|---|---|---|---|
| Ability to work with people | 130 | Knowledge and skill | 18 |
| Integrity (honesty, fairness) | 65 | Imagination, creative ability | 18 |
| Stamina, drive, ambition | 54 | Perseverance, patience | 17 |
| Leadership ability | 43 | Ability to delegate | 16 |
| Willingness to listen to the ideas of others | 24 | Courage, self-confidence | 15 |
| Judgment, common sense | 23 | Humility | 14 |
| Intelligence | 23 | Analytic ability | 12 |
| Decisiveness | 20 | Loyalty | 10 |
| | | Ability to get things done | 10 |

* This listing covers characteristics named by 10 or more respondents—512 of the 609 items mentioned. Further details are given in Table 3.

response certainly won't end the discussion, but it has two basic merits: It shows spontaneous agreement on certain important characteristics, and it shows also how an informed group of executives, rather than a single man, view the qualities essential to their own job performance.

No suggestions were made concerning what qualities to choose. No checklist was offered; all replies were in the respondent's own language. Nevertheless, the 609 items mentioned showed so many identities and similarities that they could be telescoped into a much shorter list of essential traits arranged under three main headings: human relations abilities, individual character traits, and intellectual abilities.

Human relation abilities are considered overwhelmingly the most important attribute of an executive. This category draws 229 mentions, or more than one-third of the total. Ability to work with people (which includes a liking for people, an interest in them, a desire to help and develop them) is mentioned by 130 respondents, or more than twice the number naming any other characteristic. Other highly prized qualities in the same area are leadership ability, the willingness to listen to other people's ideas, and the ability to delegate work to others.

Integrity (also called honesty and fairness) is the most important trait falling into the category of individual character. It is also the quality ranked second highest over-all. Other character attributes

TABLE 3

WHAT THREE PERSONAL CHARACTERISTICS DO YOU FEEL ARE MOST NEEDED BY AN EXECUTIVE?

(Summary of all replies)

| Human Relations Abilities (229) | | Individual Character Traits (244) | | Intellectual and Personal Abilities (136) | |
|---|---|---|---|---|---|
| Ability to work with people | 130 | Integrity | 65 | Judgment, common sense | 23 |
| Leadership ability | 43 | Stamina, drive, ambition | 54 | Intelligence | 23 |
| Willingness to listen to others' opinions | 24 | Decisiveness | 20 | Knowledge and skill | 18 |
| Ability to delegate | 16 | Perseverance, patience | 17 | Imagination, creative ability | 18 |
| Loyalty | 10 | Courage, self-confidence | 15 | Analytic ability | 12 |
| Ability to teach, train | 5 | Humility | 14 | Ability to get things done | 10 |
| Firmness | 1 | Emotional maturity | 8 | Command of language | 7 |
| | | Enthusiasm | 8 | Planning ability | 6 |
| | | Adaptability, flexibility | 7 | Broad mind, outlook | 6 |
| | | Aggressiveness | 7 | Quick thinking | 4 |
| | | Initiative | 6 | Recognition of problems | 2 |
| | | Sense of responsibility | 6 | Intuition | 2 |
| | | Interest in organization | 4 | Other† | 3 |
| | | Sense of humor | 3 | | |
| | | Having a personal philosophy | 3 | | |
| | | Other* | 7 | | |

* Health 1, curiosity 1, industry 1, organizing own time 1, dissatisfaction with status quo 1, faith in God 1, self-control 1.

† Being fully informed 1, conceptual skill precise thinking 1.

considered important by more than a few are decisiveness (third over-all); courage and self-confidence, perseverance, and humility.

Intellectual abilities receive 136 mentions in all, or less than a fifth of the total. This may not reflect the respondents' real estimate. It is probable that many of them take intelligence for granted as a necessary quality for executive success, but do not consider it a distinguishing attribute.

The intellectual abilities mentioned by the respondents are, in order of frequency: intelligence, and judgment or common sense (tied for first place); knowledge and skill; imagination and creative ability; analytic ability; ability to get things done.

## WHY THEY LIKE THEIR JOBS

What makes a man a good executive is one matter; what makes him want to be an executive at all is another. In an attempt to throw some light on this question, respondents were asked what they liked most about their jobs.

Few mention money; perhaps, like intelligence, this is taken for granted by most respondents. What does emerge at the head of the list is people—especially working with people, helping them develop their abilities, organizing a management team. "I like seeing what people can accomplish when they really put their minds to the job," a comptroller says. A vice president enjoys seeing his aides "solve their business problems with minimum supervision in a more efficient manner." A large group gets pleasure from helping subordinates solve both work and personal problems, while another substantial group say the most rewarding part of their jobs is the contact with "wonderful" people, or "high caliber" people—or just plain people.

This feeling of enjoyment in working with others is mentioned by 60 executives. Next comes the challenge, scope, and freedom of the job, a cardinal attraction to 51 men. This feeling is expressed in various ways. Many speak simply of "challenge" or of the challenge of unsolved problems in their industry. Others closely associate challenge with freedom, like one man who enjoys "having original work to do, with complete freedom for its development." The strong preference for "freedom to run things," "freedom to act without interference," and "self-direction" is expressed often enough, and vigorously enough, to convey clearly the writers' inherent independ-

ence and dislike of restrictions. "Scope," "broadness of responsibility," and "future possibilities of the job" are other terms used to convey a sense of freedom and opportunity.

Closely linked to this liking for freedom is a liking for variety, expressed by 33 respondents. They enjoy the fact that their jobs have "varied areas of operation," that the work is "diversified," that company growth brings with it "constantly changing problems." In fact, they like every aspect of the job that separates them from dull routine.

Next comes a sense of accomplishment, of "getting things done" or "doing a good job." This is mentioned by 20 executives. Others enjoy the intellectual stimulation of solving problems and making decisions; the feeling of being depended on and needed—"a vital part of a big business," as one man puts it—and the chance for creativity and creative planning. Status and earnings are cited specifically by only four—who, incidentally, are not in the highest income brackets.

The two men earning top salaries (over $100,000) make no mention of money at all. One, the director of operations for a medium-sized concern, likes "everything" about his job. The other, a board chairman of two companies and president of a third (all of which he founded), enjoys his work for "the fun that is in it."

## JOB HEADACHES

Respondents were asked also what they liked least about their jobs. Thirty-four make no complaint. For the 180 who answer, details of the job are the principal source of annoyance; some aspect of the daily grind is mentioned by 82 men. By far the largest group, 50 executives distributed about evenly among top and middle management, complain of monotony, routine, and detail. Other parts of the job found burdensome by at least a few are writing reports and budgets; attending meetings (especially long meetings and meetings "that have no objective"); reading; travel; interruptions; and lack of time for planning.

Dealings with people make up the second large category of dislikes, drawing complaints from 66 respondents. The men in top management are most likely to experience trouble with subordinates: the need to police them and to compensate for their inadequacies,

the search for good people, and dealing with the union. Middle managers have some of these headaches too, but for them the boss represents a greater problem. Altogether, 24 men in both middle and top management complain of superiors who are "explosive," "neurotic," incompetent, lazy, indecisive or too decisive, and/or uncommunicative. An executive vice president expostulates that his company president "flies by the seat of his pants." Other men, asked what they like least, reply simply "the boss" or "the president."

A few top managers dislike fellow executives who, they say, fail to put company interests above self-advancement or above departmental interests. Others complain of having to do too much entertaining and speechmaking.

Lack of authority frustrates a number of men, mainly in middle management; they feel this prevents them from realizing their job goals. But others, who have adequate authority, report a "continued feeling of pressure" caused by lack of time or ability to achieve all their goals.

A few men say the job leaves them too little time or energy for their families ("Maybe it's just an excuse," one admits). Some feel that the earnings are too low, and two executives complain of their lack of job security.

## READING FOR RECREATION

It has been said that the "average executive"—whoever that may be—reads little, and that he can't read seriously aside from business topics. If this is true, the sample considered here must be far from representative. Forty-three men name reading as one of their two principal avocations. And when asked "What kind of recreational reading do you prefer?" a majority of all respondents express serious choices.

Some 221 reading preferences were stated by 187 executives; 27 men either did not answer or said they did little recreational reading.

Non-fiction has the edge: 110 choices, compared to 98 for fiction and 13 for fact-fiction combinations as found in general magazines. Under the heading of non-fiction, 45 men prefer history, current history, biography and autobiography. Next comes business reading (even for recreation!), mentioned by 18 men. Others like science, general articles, philosophy, spiritual, inspirational, and religious

reading, economics, reading about hobbies, and social sciences, in that order.

In fiction as in non-fiction, history is the preferred topic, chosen by 23 respondents. Next come "novels" or "good modern novels" (19), mysteries (15), and short stories (4). A few men like adventure stories, sea stories, science fiction, humorous stories, and light fiction.

## COMMUNITY ACTIVITIES

The movie stereotype of an executive is a self-centered fellow, rushing to work early and staying late, with never a look or thought to spare for the troubles and hopes of his community. Few men in this survey could qualify for the part. Of the 214 respondents, 177 (or more than four out of five) engage actively, usually in a leadership position, in church and community activities. These men are interested not in one but in several projects. A man may work with the church and the Boy Scouts, or he may participate in city planning, the Community Fund, and P.T.A.

Church activities are most often mentioned: 93 men serve as church vestrymen or trustees, as fund-raisers, as moderators, as Sunday school teachers, as participants in church organizations. One man is a Protestant pastor; another is president of his congregation.

Welfare and health work, especially for the Community Fund, for hospitals, and for the Red Cross, is reported by 61 men. One such activity is fund-raising, but quite often the executive is also an officer of, or a volunteer worker for, the social agency.

Work with young people, primarily through the Boy Scouts, YMCA, and Little League, engages 42 men. Civic activities like community improvement, housing, and planning occupy 36.

Twenty-six men promote or direct education, through participation on school boards, in parent-teacher associations, and alumni groups; others work in their local Chambers of Commerce, and in Rotary, Kiwanis, and other service clubs.

## GOVERNMENTAL OFFICE

More than 10 per cent of the participants hold some kind of governmental office, or serve on official governmental bodies. Nine serve the Federal Government in such capacities as members of industrial advisory boards to federal departments, consultant to a

Cabinet member, advisor to the Atomic Energy Commission, and the like. Eighteen hold state and local posts such as member of the school board, superintendent of schools, housing commissioner, member of the local planning commission, town moderator, and mayor.

### FOR THE FUN OF IT

Despite the long hours of overtime and additional hours given up to the community, the respondents seem to have time and energy to devote to recreation. Almost everyone answered the question: "Aside from your work and your family, please name your two main interests." Many refused to confine themselves to naming only two such interests.

There's a strong emphasis on outdoor living: four men out of five have at least one major activity that gets them out into the open. Sports are by far the most popular, particularly golf, mentioned by one man out of four. Many men fish, many operate small boats, sailboats, or yachts. Other sports mentioned are hunting, driving, flying, swimming, bowling, curling, archery, hiking, horseback riding, skating, baseball, basketball, bicycling, tennis.

Sixty men go in for various aspects of gardening and country living: rose-growing, forestry, improving their grounds, "puttering around the yard." One vice president likes "bee-keeping, gardening, and hi-fi sound." Others combine sports and reading, golf and bridge, gardening and figure skating.

Cultural pursuits such as reading, music, theater, art, are of major interest to 69 men. Over 50 engage in some form of creative activity. Wood-working or "botch it yourself" projects, as one man calls them, predominate, but a number go in for photography also. A few executives paint; two are writers.

Community and church activities (in which most respondents participate) are considered a major interest by 39. Fourteen men study such subjects as management, history, science and mathematics, foreign affairs, and "investigation of borderline sciences such as extra-sensory perception." Others go in for travel, clubs and organizations, bridge, collection of stamps, coins, and antiques, stocks and finance, model railroading, food, people, politics, and public speaking.

One man describes his main interests as "wine and women."

Another lists "collection of unusual jewelry, golf, girls." Nobody mentions poker or playing the horses.

## PLANS FOR RETIREMENT

Most respondents have plenty of time—20 years, on the average—to think about retirement. Nevertheless, about half have already done some thinking and even some planning. As a man gets older, he is obviously more likely to have given the matter careful thought. Four out of five of the executives over 60 know what they want to do when they retire.

Two out of three respondents will be forced by company policy to retire at a set age—usually 65. An even larger number, four out of five, are covered by some sort of company retirement income program. But these pension plans are wildly dissimilar, providing anywhere from 5 to 100 per cent of the executive's salary at retirement age. The median is about 40 per cent. This means that 44 men, if they continue working for their present employers, can look forward to no pensions at all, and that about 80 others will receive at most two-fifths of their final salaries. For men closest to retirement, pensions are even lower, averaging 34 per cent of final pay.

For both economic and psychological reasons, therefore, it is not surprising that the overwhelming majority of those who have made plans for retirement include in these plans some type of paid employment, either in consulting or part-time work. Several, indeed, hope to start new businesses. One manufacturing vice president has already laid plans to continue his activity in a new enterprise he will buy or organize, seven years hence. Another will "finance and guide young, aggressive, ambitious people in their own businesses."

Apparently industry need not worry too hard over the loss of executive talent through retirement; most men—even those who will receive quite satisfactory pensions—will keep right on working.

They may have some trouble though, reconciling these work plans with the demands of a multitude of recreational activities. Three men out of five look forward to spending more time with their hobbies; about half will travel, and more than a third will give time to community and social service. Still others will try teaching, farming, or professional writing. One is going back to college for his B.A.

The hobbies to be pursued after retirement are an extension of present interests: golf and other sports, gardening, fishing and hunting, woodworking, photography, painting. A number of the executives will tinker with hi-fi. Two will turn their hands to invention and development of new products. Exactly one man thinks he'll "just sit" when his retirement comes up 20 years from now.

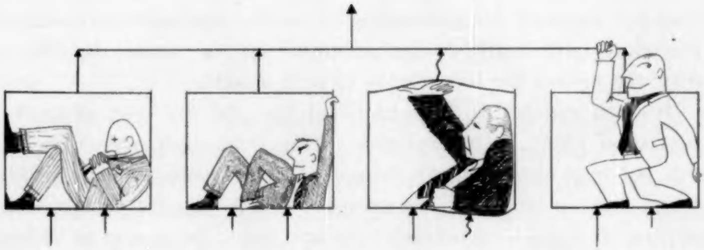
All this brisk planning contrasts sharply with the dreary picture that is often painted of executives dreading the thought of retirement, or "fading away" when removed from the stimulus of the job. These men seem to see retirement not as exile but as a chance to explore new prospects. They will doubtless take the change in stride.


"Would you mind repeating that policy on severance pay?"

# Take a Letter

*The boss is never known to vary:*
*He dictates to his secretary*
*While, lion-like, he's busy pacing*
*The office floor, and either facing*
*The wall, and in a muted tone*
*Confiding to the wood and stone*
*Or resolutely standing by*
*The window, talking to the sky.*
*And meanwhile, hands in pockets, he's*
*Jangling clips and coins and keys*
*Or tearing paper into scraps*
*Or drumming out some pencil taps*
*Or cracking knuckles as he twitches*
*Or fiddling with the buzzer switches.*
*If asked, he'd tell you, and not blink,*
*It calms his nerves, it helps him think—*
*Though all of this would not appear*
*To help his secretary hear.*

—Richard Armour



# The Organization Chart: Its Theory and Practice

■ *Carter C. Higgins*

*President and General Manager*
*Worcester Pressed Steel Company*

EVERY SCHOOLBOY knows about the Industrial Revolution. On the other hand, few schoolboys—or graduate students in economics, for that matter—are fully aware of the implications of a phenomenon that ranks with income taxes as one of the Industrial Revolution's most troublesome by-products: the Organization Chart.

Organization charts are as much a part of industry today as nuts and bolts; indeed, whereas nuts and bolts have given way in some cases to welds and rivets, organization charts remain irreplaceable.

Yet, though many companies have created and used them, and many presidents have attempted to explain them to ruggedly individualistic vice presidents, there is still no formal body of recognized organization chart theory to fall back on today. This deplorable state of affairs has produced confusion and inefficiency. Some modern charts are so neatly designed that, with a touch of color, they would make a striking full-page ad. Others have sprawled out in formidable sizes and shapes. Few of either type, however, can be fully deciphered by anyone but their creator—and chances are he is no longer with the firm.

Many thoughtful business men, the author among them, have long felt the need for guidance—for a code of simplified, standard procedures. It is the modest intention of this article to take a first step toward the formulation of such a code.

It often appears to the uninitiated that the first goal of an organization chart is to organize. This deceptively simple belief will not bear close scrutiny, however. The creation of an organization chart presupposes the existence of a successful business enterprise; if it were unsuccessful, no one would be around to bother with charts. But, in order to be successful, such an enterprise must already *have* organization. We are therefore free to leave this first goal and go on to the second.

A good organization chart expresses the internal responsibilities in a business; it shows everyone in his proper place working hard for the good of the company. Therefore, its second goal is the harmonious arrangement of lines, inverted combs, and—well, let's face it: Right at this point we come up against the first big bone of contention. Squares, oblongs, or circles?

A controversy has raged for years over the shapes in which functions should be graphically depicted on an organization chart. The Squares say their method is best and most in keeping with historical precedent, while the Oblongs claim that square boxes show a disregard for the personal feelings of the individual. Any executive with a name like Fienemanhartsberger or Smythe-Fotheringay must either go along with the Oblongs for the sake of the additional space they offer or resign himself to being called "Bill" for organizational purposes.

In recent years a third party, the Circles, has emerged. It is their contention that the use of rectangular forms makes for a serious loss in the chart's Dynamic Fluidity. "Lines of authority and communication," they say, "must have a functional and dynamic flow in order to be effective." Who can argue with that?

Until the dispute over form resolves itself, there obviously can be no further discussion of harmony in an organization chart. Let us proceed, then, to the third goal.

An organization chart is valuable as a guide to the younger members of the firm. By providing a graphic idea of their location and direction, a good chart will insure alertness among mem-

bers of the lower echelons: Each man will know where he is going, how far it is, and who is blocking his way. In short, a good organization chart is better—and cheaper—than most incentive plans.*

Now that we have established the primary goals of a good organization chart, let us investigate the various methods for implementing them. In practice, this is the hardest part of the job. An organization chart can't be drawn up without proper regard for certain problems of esthetics. Good taste is always desirable.

Balance, for instance, is an absolute essential, but, as a trip to the art museum will show you, balance may be either dynamic or symmetrical. A neatly symmetrical chart may not accurately express the true state of affairs within your executive ranks. You've often said that Harry Frobisher is worth a good half-dozen of your other vice presidents, George Bemis included—but your chart says otherwise. There's Harry out on the end of a long line of vice presidents, with a box the same size and shape as all the others. And who balances him on the other end of the line? That's right, George Bemis. It's not fair—why, Bemis is up there only because he taught the Board Chairman how to shoot under 100; everyone knows that. But the chart is neatly balanced, and that's all a lot of people care about. (These people represent still another faction, called Chartists. A look in the history books will show you that there's little sense in arguing with a Chartist.)

This may be a bitter pill to swallow, but if you want to distinguish Harry Frobisher from the others and still keep your chart symmetrical, you'll just have to paint him red or give him a new title. And that means a raise. (Perhaps an unbalanced line isn't

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* In this respect, it should be noted that probably the first organization chart on record is the one used by Richard of Gloucester (not Mass.) in the 15th century. In order to reach the throne by the quickest route, Richard plotted out the obstacles that stood directly in his way. His chart was crude, cluttered as it was with Princes and Dukes owning prior claims to the succession. At the head of it, naturally, was King Edward IV (designated by a square). As each of his relatives met with accidental fatalities or imprisonment, Richard moved his own name up a notch on the chart. The rest is history.

so bad. Notre Dame used one several seasons back and had a 9-0 record until they met Iowa.)

Balanced or unbalanced, your organization chart must follow certain rules. One is to place the stockholders at the very top. No box or circle around them, either; just a simple statement to show that their power is limitless. If you want to be realistic about it, the times are getting competitive and you might put your customers up there, as well—and, if you think it will help, your union president, too. There's plenty of room at the top.

Good composition requires placing the company president up towards stockholders' heaven. He may be hung on the end of a single-tooth comb belonging to the chairman.

A second rule is to give your chart a bottom. Far from being facetious, this is good, sound advice. Most experts will agree that a bottomless chart—the kind where the smaller functions just sort of trail off—presents serious dangers to any company's well-being. What would happen, say, if stragglers like "cafeteria" or "bartender" were to drop off, or worse, to become infiltrated by a host of unforeseen functions? After two or three hard winters, you'll need someone to supervise your Christmas party, for example. The tendency is to slap this on the bottom of your chart somewhere. As your old charts wear out, they will be recopied by an Assistant to the President who isn't too familiar with the company. Before you know it, "Christmas Parties" will have worked their way up to the spot beneath "Payroll," and your bookkeeper will be off on a bender.

Your chart needs a middle, too. Here, however, there are few hard-and-fast rules; the whole area, from the stockholders and the president on the top to the boiler room several flights down, is yours to do with as you will. You can use names, functions, or titles as you see fit, without being offensive. You can employ any of several graphic techniques, ranging from photographs with captions to delicate calligraphic swirls.

An alarming tendency to cluttered middles is becoming evident in many charts. They are neatly drawn, to be sure, but they are getting a little too bulgy. It sometimes seems that new functions have been devised just to fill the empty space. This is

foolish. It is far better to have a clean, undistributed middle than one that is cluttered up with odd jobs.

Even when bulgy or unbalanced, though, the organization chart can be an invaluable aid. It indicates at a glance when you can get out of work and when you can share it. It tells whom you must see for what—and whether it can be avoided. It even clarifies who makes the decisions for whom.

If your company, like Topsy, just growed, then your organization chart may reflect the turviness of it all. On the other hand, if you've been successful in planning your growth, the organization chart should be as neat as your secretary's desk-top during the vacation shut-down.

Early in the game, be sure to determine what you want *in* your organization chart and *from* it. Drape it across a wall, if you like; cover the back of a door. Perhaps, under certain conditions, you might even consider drafting it on a sheet of typewriter paper and hiding it in your top-secret file. But do make up your mind and stick to it—at least until the next president takes over. For, although you may be known by the company you keep, your company may be better known for the organization charts it throws away.

## *Loans to Employees: A Survey of Company Policies*

**MANY COMPANIES make loans to employees to meet emergencies even though they have no formal plan for doing so, a survey by Associated Industries of Cleveland reveals. This poll of a cross-section of employers in the Cleveland area (usually considered representative of American industry as a whole) indicates that interest-free loans, generally made after careful investigation of individual circumstances, may range up to $500. One company stated that in cases of transfer to another city, it has loaned individuals as much as $6,000 to $7,000 for a down payment on a house.**

**One company that has a formal plan based on arrangement with a local bank (permitting employees to borrow at 4 per cent interest) also makes interest-free loans in special circumstances. Another has a fund, jointly administered by management and union, that will give, not lend, up to $250 to an employee in times of emergency. It reports that about 12 employees have been so helped in the last three years.**

**One company that formerly made interest-free loans has discontinued the practice "because so many employees took advantage of it that it became a nuisance."**

# Mapping Realistic Company Goals: A Tested Approach

■ *G. A. Mitchell*
*Vice President, National Biscuit Co.*

BECAUSE OF THE COMPLEX NATURE of today's business operations, no company can long operate successfully unless all its departments and divisions are directing their efforts toward the same goals. This, in turn, makes it increasingly important for management to define clearly the organization's short- and long-range objectives and to establish policies to attain them.

When company goals are not spelled out in detail, every executive has his own idea about what they are and how they are to be achieved. As a consequence, there is lack of full understanding at the top management level and a lack of information for those in the lower echelons who are responsible for carrying out the plans. Only the development of a formal, organized plan makes it possible to coordinate the efforts of all departments and all levels of management.

An orderly procedure for determining company objectives, for the next year or for the next five years, enables management to bring together in an organized fashion its collective thinking and planning for future operations. After definite objectives have been set, prompt decisions by top management and careful planning by all departments of the company can establish effective policies to reach the objectives.

Because of management's responsibility to the owners of the corporation, sales and profits must be major considerations when future objectives are being planned. As means of reaching the desired sales and profit levels, such subordinate objectives as these are important:

Should we aim to acquire other companies in the same or different industries?

Should we spend money to modernize plant and equipment, or should we do only the minimum necessary to keep the plant operating?

Should we use high-quality materials in our products, or a lower quality that will reduce costs?

Should we try to control the primary sources of the materials we use?

Can we realize the maximum gross margin dollars by selling a small volume of high-margin items, or by selling a larger volume of low-margin items? When the choice of the most desirable combination has been made, we have set one of our sales objectives. The sales, advertising, and marketing departments can then direct their activities more intelligently without wasting their efforts on the wrong products.

These are but a few examples of the factors to be considered in charting a future course.

The objectives management wants to achieve may differ widely from what is reasonably attainable. All phases of the business must be analyzed, along with business conditions generally, activities of competitors, and expected changes within the company, and desires must be tempered in the light of actual conditions—unless, by reason of new ideas or innovations, more ambitious objectives may be considered reasonably attainable despite existing economic conditions.

For several years, the National Biscuit Co. has been developing an organized procedure for establishing company objectives. We now make detailed plans to achieve our purposes and set policies to make those plans operative. Although all the problems have not been resolved, we are convinced that substantial progress has been made.

We have long-term as well as short-term objectives. Among the aspects of our long-term planning are the training of our organiza-

tion, including the strengthening of our management group; modernizing our plant; developing automation; expanding research activities; creating and acquiring new products; and expanding our foreign operations.

## DEVELOPING SHORT-TERM OBJECTIVES

Short-term objectives, pertaining to sales volume and profit margin, are developed from year to year. Since all four of Nabisco's domestic divisions follow similar procedures, the operation of one—the Biscuit and Cracker Division—will serve as an example of the methods used to establish short-term objectives in the National Biscuit Co.

The Biscuit and Cracker Division has a field sales organization of 3,000 salesmen, operating out of 250 distributing branches strategically located across the country. Each distributing branch is a complete operating unit, with a manager in charge of sales, delivery, shipping, and office functions. Each manager orders the necessary merchandise for his branch weekly and submits financial statements and other statistics at stated intervals. The 250 distributing branches are supervised by 20 divisional sales managers, who, in turn, report to the general sales manager.

Each year we prepare a tentative sales and profit forecast to develop the means whereby management can intelligently appraise the potentials and in turn establish reasonable future objectives worthy of accomplishment. Since operational objectives of all our divisions and departments are geared to predetermined company objectives, it is necessary that the tentative forecast be completed sufficiently in advance of budget requests for the following year to allow top management the necessary time to evaluate the forecast and to decide upon the objective. Moreover, company objectives are determined before any definite commitments for advertising and promotional aids have been made. Obviously, prior commitments of this kind would preclude making any desired revisions in sales activity that might be prompted by company objectives.

Each of our 250 sales branch managers is asked to prepare, during the first week in August, a sales budget for the following calendar year. Commitments for advertising expenditures for the year ahead are usually made by about the first of October.

As a preliminary step to this development, in April the Advertising and Marketing Divisions are asked to develop tentative plans for the following year. Along with this request, the Vice President for Sales conveys his views, both short- and long-term, on the development of our various products and the advancement of our marketing program. With the broad sales objectives in mind, the Advertising and Marketing Divisions formulate tentative promotional plans, which are submitted to the Sales Research Division by June 1.

In the meantime, our economists have prepared an independent sales forecast for the next year. This report, which is received early in June, serves as a check against the projection to be made later by the Sales Research Division.

## THE TENTATIVE SALES FORECAST

Upon receipt of the tentative advertising and promotional plans, the Sales Research Division, in conjunction with the Product Managers, develops sales estimates by varieties. At this point, the potential for each product is considered in light of the external and internal factors involved. Some of the external factors considered are disposable income, population changes, competition, and consumer demand. Among the internal factors considered are advertising and promotional objectives, sales trends, new-product lines, effect of new products on established lines, profit improvement through the promotion of the more profitable lines, and the elimination of low-volume and unprofitable varieties.

The sales forecast is basic in the profit development, and because of its importance, due care is given to this projection. Sales are projected in units and dollars, using current prices as a basis for dollar projections. The sales forecast is summarized by product classes. Comparisons are shown with actual results of the previous year and sales projection for the current year.

At this stage, we make a correlation of forecast sales and manufacturing capacity to make certain that we can adequately satisfy the indicated sales demand. In other words, before developing the profit picture further, we want to be sure we can produce the volume on which profits are predicated. Should this review indicate that facilities will be insufficient, we ascertain whether it is practical and

economically feasible to add the necessary capacity at this time; if not, the sales forecast must be revised accordingly.

The correlation of forecast sales and manufacturing capacity also reveals idle facilities, and this information proves useful later when we are considering the possibilities of maximizing profits by endeavoring to use such facilities.

When it is known that manufacturing facilities are adequate, the tentative sales forecast is submitted to the Vice President for Sales for his review and approval. (Bear in mind that, at this point, no information is available to indicate the cost of sales and net profit. This sales forecast is approved on the basis that it will maximize sales volume in accordance with the broad objectives of the Sales Department.)

## DETERMINING COSTS AND NET PROFIT

The approved tentative sales forecast is then submitted to the Budget Division, where the cost of sales and net profit are determined. Costs and expenses are developed by the Budget Division in collaboration with the operating departments and divisions. Although we do not go into as much detail in accumulating such costs for the tentative forecast as we do for the annual budget, all important items are carefully considered in the light of expected conditions and planned activities.

In the end, we arrive at a reasonably accurate forecast of costs by accounts and net profit for the operating period. These results and pertinent data are then presented by the Budget Division to top management in a comparatively brief report, which points up such factors as:

The percentage of total sales volume change anticipated.

Total earnings expected, expressed (1) in dollars, (2) as a percentage of total sales, (3) as a percentage of investment, and (4) per share of common stock. (With this estimate, similar information for the previous year and the estimate for the current year are shown.)

Important cost and expense variances, highlighted and explained by brief commentary.

An analysis of sales mixture, showing trends and effect on profits. (Alternative sales mix plans are also presented to show the possibilities for profit improvement.)

Idle manufacturing capacity, showing opportunities for improving profits by utilizing idle equipment.

This report, augmented by other available information, provides the means by which top management can intelligently appraise the potential for profit for the ensuing year. Armed with the tentative forecast, management can evaluate expected performance from all angles and consider such factors as:

The possibility of increasing sales volume and profits by increasing expenditures for advertising and sales promotion activities.

The possibility of increasing profits by improving the product mixture.

Possible expense reductions.

The advisability of adding or eliminating product lines.

Technological improvements in manufacturing and distribution, and establishing a relationship of the cost of such improvements against the savings to be realized.

The use of idle production facilities to improve profits.

Each of these fields affords an opportunity for profit improvement. Consequently, these possibilities, among others, must be fully explored, evaluated, and integrated in the over-all company plans before company objectives are finally established.

## FINAL DECISIONS

Of course, short-term objectives are influenced to some degree by long-term plans; at least in some measure, they must be in harmony with the long-range views of management. The final decisions leading to the establishment of company objectives naturally depend upon the availability of funds to finance the plan.

As a result of the information provided through the tentative forecast and ensuing discussions and considerations, top management is able to make an intelligent appraisal of the future potential performance of its organization. Company objectives that are constructive and reasonable can be established.

When approved, the company profit objective is broken down to its components, and the interested departments and divisions are requested to be guided accordingly in the development of their annual budgets. In those instances where a department or a division cannot reasonably adopt the predetermined objective in its budget, a satisfactory explanation is required.

The preparation of a tentative forecast will not, in itself, guarantee maximum profits. It will, however, provide an orderly process for

developing the kind of information that will help management to evaluate the profit potential and establish company goals.

Of course, conditions vary from company to company, and any such plan as this must be adapted to the particular problems of each organization. But as a method of developing company objectives and establishing plans and policies to meet those objectives, this procedure is a management tool that has proven its value.

## *Running the Suggestion System — A Survey of Company Practices*

ARE SUGGESTION SYSTEMS helpful, harmful, or useless? What can be done to make them better? Seeking answers to these questions, the Minneapolis-Honeywell Regulator Co. recently survyed 64 companies across the nation to find out how they handle the administration of their systems. Here are some of the findings, as reported by Walter S. Athearn in a recent issue of *Modern Office Procedures*:

Except when making suggestions is part of their regular duties, all employees in most of the companies are eligible to submit ideas. Under the same conditions, seven companies also accept suggestions from their supervisors. In only two companies are supervisors entirely excluded from participation.

Ideas that duplicate previously submitted suggestions are ineligible for awards in all the respondent companies. Suggestions involving maintenance repairs, new and developmental projects, and matters of company policy are also excluded by many firms.

Minimum awards reported by the respondent companies range from $3 to $15, averaging about $5.50. Maximum awards range from $500 to "the sky's the limit"; the average, excluding "unlimited," is $4,892. All the companies have specific formulas for determining the amounts of awards for tangible improvements, and several have formulas that evaluate indirect and intangible improvements.

In more than half of the organizations (36), investigation of suggestions is a responsibility of the foreman or supervisor. Sixteen companies have full-time investigators, and others use part-time investigators or members of a suggestion committee.

Letters of acceptance or rejection are specially written in 34 of the companies. Another large group use pre-printed letters, and four companies accept or reject suggestions verbally.

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IT TAKES two to speak truth—one to speak and another to hear.

—*Thoreau*

# SURVEY OF BOOKS FOR EXECUTIVES

**EXECUTIVE COORDINATION AND CONTROL.** By James H. Healey, Bureau of Business Research, College of Commerce and Administration, The Ohio State University, Columbus, Ohio, 1956. 355 pages. $5.00.

*Reviewed by Joseph M. Trickett**

This analysis of the span of control and the coordinating and control media employed by chief executives of some 600 Ohio manufacturing companies explores a subject which poses one of the chief problems faced by all management. In recent years, a minor controversy has raged regarding the validity of much of our span-of-control theory. Dr. Healey has performed a valuable service both in recapitulating many of these concepts and in effectively summarizing much of the available material on coordination and control.

These resumes of existing literature in the field will interest all serious students of management. However, while the theorists will find much new data on the practical application of their span-of-control concepts, it may be doubted whether many practicing executives will wish to pursue the subject in quite so much detail as Dr. Healey provides.

Following three introductory chapters of background and theory, the author "gets down to cases" with three long chapters, liberally interspersed with tabulations of his study's findings on the span of control in practice and the use of such control media as conferences, staff assistants, committees, budgets, and so on. The material in these chapters probably presents more detailed information on current organizational practices among a representative sample of industrial firms than is available elsewhere.

One must remember, of course, that this is a research report, written under the direction of the bureau of business research of a major university. As such, it is likely to possess some shortcomings in the eyes of the average business man. However, in the opinion of this reviewer, such material should be prepared more with the practicing executive in mind and presented in a way that will be of maximum use to him. In other words, there should be less emphasis on the collection and analysis of data and more information of the kind which will enlighten existing managers and so promote increasingly strong and effective management.

Dr. Healey's final chapter, presenting the summary and conclusions of his study, will be of most interest and value to practicing management. Many readers will also find the bibliography at the end of the volume useful. This contains most of the standard references on the material under consideration, as well as some uncommon citations.

The author could possibly have improved the general organization of his material. On the whole, however, this viewer found his book a genuine contribution to the literature of man-

* Coordinator, Management Development, Food Machinery and Chemical Corporation.

agement, although it may well present rather more information about the subject than the average management reader needs to know.

**THE THREE - DIMENSIONAL MAN.** By A. M. Sullivan. P. J. Kenedy & Sons, New York, 1956. 297 pages. $4.00.

*Reviewed by Fred Olsen**

Since all A. M. Sullivan's previous books have been confined to poetry, they may well have escaped the attention of the large majority of business men. It would be a pity were the same fate to overtake *The Three-Dimensional Man*. Though still unmistakably the work of a poet, it speaks directly to the wider audience more familiar with the author's *alter ego* as the Editor of *Dun's Review and Modern Industry*.

*The Three-Dimensional Man* is both a thoughtful and a thought-provoking book—an attempt to provide a philsophical evaluation of the main currents in American life against the background of a still broader range of international affairs, present and past. It should be of interest to all business executives seeking to acquire a deeper and sharper vision of our industrial civilization.

Though he modestly asserts that he is "an expert on nothing," Mr. Sullivan has succeeded in the difficult task of placing the complexities of modern life in better focus against a philosophic appraisal of our culture.

* Vice President, Olin Mathieson Chemical Corp.

His book is perhaps best read, or rather studied, a chapter at a time. As befits a poet, he writes most penetratingly on such topics as "Man and His Lyric Impulse," "Man and His Books," and "Man and His Sense of Order." Business men, however, will possibly derive even greater stimulation from his comments on "The Specialist and Leisure" and his thoughtful analysis of modern business ethics, somewhat quizzically entitled "A Hatrack for Haloes."

The disciplines and skills of the poet are everywhere in evidence in this book. It is refreshing to encounter such apt and fresh word usage applied to the broad sweep of our current scene.

**MANAGEMENT SUCCESSION:** ***The Recruitment, Selection, Training and Promotion of Managers.*** By Rosemary Stewart *et al.* The Acton Society Trust, London, W. 1, England. 1956. 139 pages. $1.75.

*Reviewed by George Corless**

This report on the status of management development is a bench mark in the history of management in Great Britain. Although the authors deplore the fact that not more than one-third of the companies studied can be said to have systematic programs for management succession and development, the progress that has been made in the decade since World War II is comparable with that of the United States in many respects. A

* Southwest Regional Director, Institute of International Education, Houston, Texas.

number of factors—among them the educational background of the younger managers and the changes proposed by various companies to improve recruiting, training, and communications—point to a favorable outlook for the future.

The report covers executive personnel—defined as all above the level of foreman—in 51 British manufacturing organizations, of which 44 employed over 10,000 persons and seven employed 7,000 to 10,000. While the major part of the study deals with policies and practices as they are today, the authors have also attempted to determine the effect of *past* practices on present management—"the product of those practices"—asking such questions as: How is education related to chances for promotion? What are the opportunities for rising from the bottom?

The findings confirm the generally accepted view that higher education pays. Arts graduates from Oxford and Cambridge ranked highest in promotion experience. Surprisingly enough to the American reader, science graduates ranked below young men from the major public schools and arts graduates from universities other than Oxford and Cambridge. Foremen were at the bottom of the list.

As for rising from the ranks, it was found that half of the executives included in the study "came up the hard way," reaching their present posts from humble beginnings as manual workers or clerks and with only elementary schooling. However, their number has declined steadily over the years, while the proportion of those starting nearer the top, as management trainees, has risen. Those starting at the bottom of the ladder, moreover, had "less chance of reaching *top* management than those with a better start in life."

Future opportunities for advancement for such employees are likely to be even more limited, the investigators conclude; with increasing specialization in industry and the growing complexity of management problems, a higher level of education than was acceptable in years past will be required in management. Meantime, changes in the educational system are providing more opportunities for young people of limited means to acquire a higher education and, increasingly, companies are turning their recruiting efforts toward the university graduate.

In the chapter entitled "How It Looks From Below," the authors also discuss how effectively inducements to promotion operated among employees below the level of foreman and the effect of company promotion policies on employee morale.

In the sections devoted to current practices, the reader will recognize some familiar problems. There are the usual arguments, pro and con, about early identification of management potential; the value of observation vs. learning by doing; union restrictions on gaining experience through manual labor; in-company vs. university courses; and job rotation. Some serious shortcomings in current practices come to light. Companies do not always employ effective methods of "talent spotting" — the British equivalent of the American firm's inventory of executive potential. Contrary to company practice in the United States, organization plan-

ning rarely has any part in management succession programs. Moreover, there seems to be little emphasis on the responsibility of the individual for his own development, although it is generally recognized that without a desire for self-improvement on the part of the individual, company development programs will fail.

The authors suggest three criteria for judging the merits of succession policies: (1) Able people are attracted and retained; (2) management development is recognized by managers as an important part of their responsibilities; and (3) vacancies in management, unexpected as well as expected, are readily filled from within with well-qualified people.

There should be no argument about using these guides to set standards of performance in this area of management.

**ELECTRONIC COMPUTERS AND MANAGEMENT CONTROL.** By George Kozmetsky and Paul Kircher. McGraw-Hill Book Company, New York, 1956. 296 pages. $3.75.

*Reviewed by Frederic J. Porter, Jr.**

*Electronic Computers and Management Control* has been written to explain to the business executive the role that the authors believe modern data-processing equipment will play in management's control of its operations in the future.

The authors first describe the growth and development of the electronic computer in its application to business data processing, and give a brief account of how it accomplishes its purposes. This part of the book is well documented with the experiences of companies who have pioneered in the field and serves as a good review of the current status of electronic data processing in American industry.

The authors then advance into the less well-known and more theoretical areas of the application of the modern, so-called scientific approach to management problems. They describe the possibilities for improving business operations by the use of such mathematical procedures as linear programming and matrix manipulation. Here the documentation is somewhat scanty, since there appears to be a minimum of concrete experience to guide the venturer in these relatively uncharted seas. Much of the presentation, therefore, is based merely on the possibilities and probabilities.

The book is well written and easy to read. The chapter, "Role of the Executive in Selection of an Electronic System," is particularly timely and should be required reading for any executive whose company has, or is contemplating, an electronic data-processing system. It gives him a list of criteria by which he can judge the performance of his staff and, in addition, indicates the attitude which he himself must adopt if his installation is to be successful.

If criticism there must be, it would be threefold. The chapter, "Administrative Problems Experienced in In-

* Commercial Manager, Consolidated Edison Co. of N. Y., Inc.

troducing Computer Systems," could well omit the lengthy case history, which contains one completely irrelevant reference. Where chapter summaries are provided, they appear to be more in the nature of introductions to the chapters that follow. Last, the three appendices—"The Language of the Computer," "Programming," and "Electronic Data-processing Equipment"—could well be omitted. They suffer from an attempt to oversimplify what are essentially highly technical and complicated problems. The smattering of information that the executive would obtain from them is too slight to be of any use to him, and, in general, such problems might be better left to the members of his staff.

By and large, however, the authors have accomplished their objective. The executive who either reads or browses through this book should get a better understanding of the tools that are presently available for data processing and of developments on the horizon that may well revolutionize the control area of business management in the next decade.

# Briefer Book Notes

*(Please order books directly from publishers)*

## GENERAL

**FUNDAMENTAL STATISTICS FOR BUSINESS AND ECONOMICS.** By John Neter and William Wasserman. Allyn and Bacon, Inc., New York, 1956. 638 pages. $6.75. This introductory textbook, intended primarily for students in business and public administration, emphasizes the practical applications of statistical methods as tools of management. Its non-mathematical approach should be intelligible to those who have no more than high-school algebra. Work assignments appended to each chapter help to orient the student toward typical management problems and their solution.

**INFORMATION FOR ADMINISTRATORS: *A Guide to Publications and Services for Management in Business and Government.*** By Paul Wasserman. Cornell University Press, Ithaca, N. Y. 1956. 375 pages. $6.00. This useful guide to sources of information in the fields of business and public administration covers not only published materials but other sources such as trade associations, governmental agencies, chambers of commerce, and research organizations.

**THE MEANING AND VALIDITY OF ECONOMIC THEORY: *A Historical Approach.*** By Leo Rogin. Harper & Brothers, New York, 1956. 697 pages. $6.50. A re-examination of the history of economic theory, from the Physiocrats to John Maynard Keynes. The relationship between theory and practice and the primary role of social policy in shaping the course of economic thought are the author's main themes.

**THE FEDERAL LOYALTY-SECURITY PROGRAM:** ***Report of the Special Committee of the Association of the Bar of the City of New York.*** Dodd, Mead & Company, New York, 1956. 301 pages. $5.00. A detailed, not wholly dispassionate account of this controversial subject. Among the topics discussed are the basic values of liberty and security, the Communist threat, and the counter-measures taken by the United States, including the operation of the security program. The concluding section of the book presents the committee's recommendations for improving the program.

**ESSENTIALS IN PROBLEM SOLVING.** By Zuce Kogan. Arco Publishing Co., Inc., 480 Lexington Avenue, New York 17, N. Y. 1956. 119 pages. $4.00. Features of this second edition are a new chapter on methodology and a number of additional examples of the author's techniques of problem solving.

**PUBLIC CONTROL OF ECONOMIC ENTERPRISE.** By Harold Koontz and Richard W. Gable. McGraw-Hill Book Company, Inc., New York, 1956. 851 pages. $7.00. A comprehensive review of the problems that have given rise to governmental economic controls and the experience of major areas of the economy under such controls. While certain industries are treated in detail—e.g., transportation and public utilities—the authors place main emphasis on the general problems of economic stabilization, wartime regulation, and long-term expansion.

**BASIC RESEARCH AND THE ANALYSIS OF CURRENT BUSINESS CONDITIONS:** ***Thirty-sixth Annual Report.*** National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y. 1956. 88 pages. Gratis. A thoughtful appraisal of the contributions of basic economic research to the better understanding and control of current problems. The bulletin includes a review of the Bureau's activities in 1955 and staff reports on work in progress in a number of areas, including business cycles; national income and capital formation; wages, prices, and productivity; banking and finance; governmental activity; and international economics.

**SERVICE AND PROCEDURE IN BUREAUCRACY:** ***A Case Study.*** By Roy G. Francis and Robert C. Stone. University of Minnesota Press, Minneapolis 14, Minn. 1956. 201 pages. $4.00. This study of the Louisiana Division of Employment Security was undertaken to test two widespread beliefs about the nature of bureaucracy: That procedure takes precedence over the purpose of the organization; and that the office is more important than the person. The findings, gleaned from observation of employees at work, interviews, questionnaires, and official records, throw some interesting light on the workings of large-scale organizations.

**THE DYNAMICS OF CAPITALISM:** ***Correctives Toward Continuous Growth.*** By Julius T. Wendzel. Harper & Brothers, New York, 1956. 175 pages. $3.50. A persuasive and refreshingly non-technical analysis of American capitalism. Asserting that economic crises are not normal or necessary but the result of mistaken attitudes, institutions, and policies, the author urges upon business and government a greater awareness of these obstacles to progress and a more intelligent management of the dynamic forces in our economy.

# MARKETING

**CONSUMER EXPECTATIONS 1953-1956.** By George Katona and Eva Mueller. Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Mich. 1956. 143 pages. $3.50. This publication brings together for the first time the results of interview surveys conducted by the Survey Research Center which have been released previously only in summary form. It contains a discussion of the predictive value of data on consumer attitudes and a comparison of consumers' buying intentions with actual spending on automobiles and other durable goods since 1953 which should be of interest to the marketing specialist.

**MARKETING RESEARCH: *Text and Cases*.** By Harper W. Boyd, Jr., and Ralph Westfall. Richard D. Irwin, Inc., Homewood, Ill., 1956. 675 pages. $7.80. A comprehensive textbook enlivened by a generous number of cases taken from actual research projects of various companies. The authors define step-by-step procedures for handling a research program from its inception to the final report. They also analyze basic research designs and give detailed applications of research techniques in motivation, product, advertising, and sales control research.

**MODERN ADVERTISING: *Practices and Principles*.** By Harry Walker Hepner. McGraw-Hill Book Company, Inc., New York, 1956. 740 pages. $6.75. A complete revision of the author's earlier text, *Effective Advertising,* and designed as a companion volume to his *Modern Marketing*. Recognizing the trend toward coordination of advertising and marketing, the author gives considerable attention to the advertiser's market position, the problems of advertising for special markets, and the advertising uses of recent data on readership measurement and motivation.

**DIRECTION OF INTERNATIONAL TRADE: *Annual Issue*.** Columbia University Press, New York, 1956. 334 pages. $2.50. This third annual review of world trade—a joint compilation of the United Nations, the International Monetary Fund, and the International Bank for Reconstruction and Development—presents trade-by-country data for the years 1938, 1948, and 1951-1954.

**THE DEVELOPMENT OF MARKETS FOR NEW MATERIALS: *A Study of Building New End-Product Markets for Aluminum, Fibrous Glass, and the Plastics*.** By E. Raymond Corey. Division of Research, Graduate School of Business Administration, Harvard University, Boston, Mass. 1956. 265 pages. $4.00. Based on a field study of the experience of producers of new materials in three rapidly growing industries, this report documents the role of marketing in developing the demand for new products. Showing how these producers were compelled to create new fabricating industries and enlist new end-product users as well, the author argues that technical development must be accompanied by aggressive marketing at more than one level.

**INTERNATIONAL TRADE AND COMMERCIAL POLICY.** By Lawrence W. Towle. Harper & Brothers, New York, 1956. 906 pages. $6.50. This revised edition contains several new chapters and an expanded treatment of developments in international institutions and policies since World War II.

# Publications Received

*(Please order directly from publishers)*

## GENERAL

**ECONOMIC FORCES IN THE U.S.A. IN FACTS AND FIGURES.** Prepared by U.S. Department of Labor, Bureau of Labor Statistics. For sale by the Superintendent of Documents, U.S. Printing Office, Washington 25, D.C. 104 pages. 55 cents.

**INTERNATIONAL BIBLIOGRAPHY OF ECONOMICS.** Columbia University Press, 2960 Broadway, New York 27, N.Y. 1956. 436 pages. $8.00.

**PROGRESS REPORT BY THE CABINET COMMITTEE ON SMALL BUSINESS.** For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. 1956. 14 pages. 15 cents.

**CANADA LOOKS AHEAD.** By Grace Laugharne. Royal Institute of International Affairs, 345 East 46 Street, New York 17, N.Y. 1956. 158 pages. $2.25.

**RESEARCH BY COOPERATIVE ORGANIZATIONS: *A Survey of Scientific Research by Trade Associations, Professional and Technical Societies, and Other Cooperative Groups*.** Prepared for the National Science Foundation by Battelle Memorial Institute. For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. 1956. 48 pages. 35 cents.

**MANAGING FOR TOMORROW.** By Henry C. Thole and Charles C. Gibbons. Published by The W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich. 1956. 13 pages. Gratis.

**PLANNING FOR PROGRESS.** American Institute for Research, 410 Amberson Avenue, Pittsburgh 32, Penna. 1956. 44 pages. Gratis.

**CURRENT BUSINESS TRENDS: *Analysis of Basic Economic Indicators*.** Economic Planning Dept., Radio Corporation of America, New York, N.Y. 1956. 30 pages. Gratis.

**AGRICULTURE AND INDUSTRY RELATIVE INCOME.** By J. R. Bellerby. St. Martin's Press, Inc., 103 Park Avenue, New York 17, N.Y. 1956. 369 pages. $6.75.

**CONSUMERISM AND INDEPENDENT SMALL BUSINESS.** By Ernest H. Gaunt. Kirstein & Sons, 2211 Edgewater Drive, Orlando, Fla. 1956. 25 pages. 40 cents.

**HANDBUCH DER GROSSUNTERNEHMUNGEN.** (in German). Verlag Hoppenstedt & Co., 9 Havelstrasse, Darmstadt, Germany. 1956. Two volumes.

**ECONOMIC SURVEY OF EUROPE IN 1955.** Prepared by the Research and Planning Division, Economic Commission for Europe in 1955. Columbia University Press, 2960 Broadway, New York 27, N.Y. 1956. 336 pages. $2.50.

**AUTOMATA STUDIES.** Edited by C. E. Shannon and J. McCarthy. Princeton University Press, Princeton, N.J. 1956. 286 pages. $4.00.

**CANADIAN TRADE INDEX: *1956*.** Published by the Canadian Manufacturers' Association, Inc., 65 Yonge Street, Toronto, Canada. 1956. 1106 pages. $10.00.